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Nos. 91- (3)

In The

Supreme Court of the United States

October Term, 1991

Daniel P. SHEEHAN and THE CHRISTIC INSTITUTE,

Petitioners,

versus

John HULL, Moises Nunez, Jorge Gonzalez, Adolfo Calero, Robert Owen, Thomas Posey, John Singlaub, James McCoy, Ronald Joseph Martin, Sr., Rafael "Chi Chi" Quintero, Mario Delamico, Thomas Clines, Theodore Shackley, Richard Secord, and Albert Hakim,

Respondents.

On Petition for Writ of Certiorari to the United States Court of Appeals for the Eleventh Circuit

Petitioners' Joint Appendix
Volume II

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The plan to kill Pastora was only one of several assassination plots planned as part of Operation Pegasus.[465] In January of 1985, based on remarks of a CIA officer who said he was passing on "suggestions from Washington," Defendants Calero and Posey, FDN military commander Enrique Bermudez and others met and prepared a list of Nicaraguan civilians to be assassinated when the contras entered Managua as part of the Operation Pegasus, American-led invasion. The list included a nun, priests, Daniel Ortega, Nicaragua's president, Foreign Minister Miguel d'Escoto, and Nora Astorga, Nicaragua's ambassador to the United Nations, Adams, who has described his specialty as "close-in urban tactics," was requested to train an elite urban team for "house-clearing techniques. . . . The list came to me because I probably was the one who'd have to squeeze on some of these guys."[466]

Plotting the Assassination of a U.S. Ambassador

At a meeting in Memphis, Tennessee in January of 1985, a group of American mercenaries, who worked with CMA and the defendants conspired to assassinate Lewis Tambs, the newly named U.S. ambassador to Costa Rica, and collect the $1 million reward placed on Tambs by

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important people wouldn't let him out of Costa Rica alive if the assassination succeeded. Id.

[465]Allan Nairn, "The Contras' Little List," The Progressive, March 1987, pp. 24-26.

[466]Adams described "house-clearing" as going "in and kill[ing] all the bad guys and get[ting] the good guys out." Nairn, "The Contras' Little List," The Progressive, March 1987, p. 24.

Colombian drug dealers. Other targets were the U.S. embassy, the Costa Rican presidential offices, and Brooklyn Rivera and Urbina Lara. All of the attacks were to be blamed on the Sandinistas.[467]

Later that month, Defendant Posey was arrested on a gun possession charge at Miami International Airport.[468] While at the Dade County Jail, he recruited Jesus Garcia, the booking officer, into the arms supply network.[469] Posey also attempted to get Garcia's help for the assassination plots. In early February 1985, at the Howard Johnson Motel in Miami,[470] the Tambs assassination and bombing was discussed in greater detail. Attending this meeting were Defendant Posey, Jones, Corvo and Hull and mercenaries Steven Carr, Robert Thompson and Sam Hall. A blueprint of the U.S. embassy in San Jose was presented

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[467]Martha Honey, "Gunpowder, Treason & Plot," This Magazine, June/July 1986. Jack Terrell did not attend this meeting, but was briefed afterwards about it.

[468]Village Voice, December 30, 1986.

[469]"Obstruction at Justice," Village Voice, March 31, 1987. Posey was subsequently bailed out by Jack Terrell, a CMA field commander, and Jose Coutin, CMA's Miami representative. "Did Meese Block a Second Probe?", Village Voice, December 30, 1986; Transcript of NBC Nightly News Interview with Jack Terrell, May 21, 1986 (hereafter "Terrell NBC Transcript"), p. 32.

[470]Defendant Hector Cornillot was the manager of the Howard Johnson's in Miami. He was a supporter of the contras and gave a lower special "contra" rate to many of the Defendants and mercenaries who ere involved in the resupply effort. Owen Deposition, supra, 1988, p. 230.

by Hall and the division of the $1 million was discussed. Defendant Posey had previously reviewed the plan with Jesus Garcia.[471]

The plan was to place C-4 in a light box outside the embassy and detonate it. When Tambs ran out of the embassy, he would be shot. The group decided that five men would carry out the hit, including one Nicaraguan who would be killed immediately afterward and have papers planted on him that would link him to the Nicaraguan government.[472] Garcia refused to participate because he was not "willing to hit an American. It was too dangerous."[473]

Garcia described the plan as follows: "We were all to fly to San Jose, where we were to meet and be provided back-up by Mr. John Hull and Mr. Bruce Jones. This operation was being coordinated by Mr. Tom Posey of

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[471]Statement of Jesus Garcia given to Federal Public Defender, Southern District of Florida. It is unclear whether Defendant Posey was present at this meeting in Miami. According to Cockburn, it was Posey who showed Garcia the blueprint of the embassy and told him that C-4 explosives were being stored in a room upstairs. Cockburn, supra, p. 56. Terrell NBC Transcript, supra, p. 34.

[472]Terrell NBC Transcript, supra, p. 37.

[473]"The Dirty Dealing in the Underground Contra Aid Network," In These Times, December 10-16, 1986. "Jailed Contra Details Plans to Kill Tambs," Tempe State Press, November 19, 1987. Defendant Cornillot stated in the same article that the participants were drunk, and their discussion was not to be taken seriously. Id.

Decatur, Ala."[474] Garcia's statement was corroborated by Jack Terrell, a CMA commander also present at the meeting. According to a memorandum of an FBI interview of Terrell in 1986:

> Terrell told New Orleans FBI agent Charles Calhoun that an emissary from the Ochoa drug family met with Tom Posey, Jesus Garcia, Rene Corvo and Francisco Chanes in Miami in January or February 1985. Ochoa's representative offered the group one million dollars if they killed Ambassador Tambs.[475]

Jesus Garcia saw crates of supplies, which included C-4 plastic explosives, at the Howard Johnson. The C-4 was sent to Costa Rica via El Salvador.[476] The plan was postponed because Tambs did not leave Colombia when expected.[477] But the plotting continued in Costa Rica, and involved the CMA-Operation Pegasus mercenaries.

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[474]Statement of Jesus Garcia given to Federal Public Defender, Southern District of Florida. Cockburn, supra, p. 56.

[475]"Ollie North's Private Dick," Village Voice, September 29, 1987. Terrell confirmed the plot in an interview with NBC Nightly News based on information he had received from Thompson. Terrell NBC Transcript, supra, pp. 34-5.

[476]"Ollie North's Private Dick," Village Voice, September 29, 1987.

[477]Martha Honey, "Gunpowder, Treason & Plot," This Magazine, June/July 1986, pp. 12-14.

Robert Thompson, a mercenary who went to Costa Rica with a shipment of arms in March of 1985, admitted to Jack Terrell that he knew about the plot and described it in detail.[478] Peter Glibbery, a mercenary operating in contra camps near the Hull farm in March and April, 1985, recalled trying to take explosives to the camp from the farm of Defendant Jones and being told that it was needed "for the embassy job."[479]

The CMA mercenaries stayed in a camp near the Nicaraguan border with a group of contras, including one named David.[480] In late March a contra named David who operated from Defendant Hull's ranch and was to participate in the bombing plot, approached a Costa Rican restaurant owner named Carlos Rojas Chinchilla, told him about the bombing, and asked for help to escape.[481] David had been told that he would be killed after the

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[478]Terrell NBC Transcript, supra, p. 33-4.

[479]"Did Meese Block a Second Probe?", Village Voice, December 30, 1986.

[480]Testimony of Robert Thompson in Hull v. Avirgan and Honey, First Penal Court, San Jose, Costa Rica, May 22, 1986, reprinted in LaPenca: On Trial in Costa Rica, p. 64.

[481]Deposition of Carlos Rojas Chinchilla, November 5-7, 1987 (hereafter "Rojas Deposition"), pp. 34-49. William Crone, an American farmer who shares ownership of a farm with Defendant Hull, has subsequently testified in this litigation that a contra named "David" associated with Hull was encamped near Hull's Pocosol farm with a group of Cuban-Americans, which included Defendant Corvo. Crone Deposition, supra, pp. 233-236.

bombing, dressed in a Sandinista uniform and left with papers in his pocket that implicated the Sandinistas in the attack. Defendant Galil had been contracted to return and kill Tambs.[482] David told Rojas that Defendants Alvaro Cruz and Frederico Saenz were part of the assassination team.[483]

At approximately the same time, Fernando Cruz Castro, the chief prosecutor for the judicial branch of the Costa Rican government, received a visit from a North American. The North American told Cruz that he was training contras in southern Honduras, and that there were plans to bomb the American embassy in which he did not want to participate.[484]

Rojas subsequently informed the Plaintiffs who relayed the information to George Mitchell, the chief of security at the U.S. Embassy in San Jose in April of 1985. On July 17, 1985, David informed the Plaintiffs that Defendant Galil and a hit team were expected in Costa Rica within a few days. On July 18, 1985, the Reagan administration sent a warning to the Nicaraguan government that it had information about a "terrorist" attack against U.S. personnel in Honduras, which would result in serious consequences for the perpetrators.[485]

At just about the same time, Garcia was asked by Defendant Posey to kill the Russian ambassador to

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[482]Rojas Deposition, supra, p. 159.

[483]Rojas Deposition, supra, pp. 52, 148.

[484]Deposition of Fernando Cruz Castro, May 11, 1987 (hereafter "Cruz Deposition"), p. 9.

[485]"The Dirty Dealing in the Underground Contra Aid Network," In These Times, December 10-16, 1986.

Nicaragua. In late July, Garcia traveled to the Dominican Republic to await further instructions, but was called home by Posey.[486] Posey decided that Garcia was an informant who was passing on information about the assassination and bombing attempt. Posey and the others discussed luring Garcia to Central America and killing him there. On July 21, 1985, Garcia was invited to Honduras by Posey, but he was arrested in an apparent set-up for illegal possession of a machine gun before he made the trip.[487] The main witness against Garcia was "Major" Alan Saum, a close associate of Defendant Posey who had invited Garcia to go to Central America with him to blow up the Soviet and Cuban embassies.[488]

Kidnapping of Rojas

In July of 1985, because of his knowledge of the defendants' involvement in both the La Penca bombing and the attempt to assassinate Tambs, Rojas was kidnapped in San Jose, along with David, and taken to Defendant Hull's ranch by car. When the car stopped, the men driving asked for "Paniagua." When told that Paniagua was not there, they then asked for "Hull." When told that Defendant Hull also was not there, they asked that he be contacted by radio. After they were left with only one guard, Rojas and David escaped and returned to

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[486]"Jailed Contra Details Plans to Kill Tambs," Tempe State Press, November 19, 1987.

[487]Waas, "Stuck in Miami," New Republic, November 24, 1986.

[488]Waas, "Stuck in Miami," New Republic, November 24, 1986.

San Jose.[489]

Carlos never saw David again, and Plaintiffs later received information that David had been executed on Defendant Hull's ranch. Carlos, fearing for his life, fled Costa Rica on August 18.[490] On August 25, Defendant Owen reported to North that one of the contra leaders, Jose (Chepon) Robelo, cousin of UNO leader Alfonso Robelo, who operated near Hull's ranch had ordered the torture and execution of a Sandinista informant. El Negro Chamorro was to punish Robelo, although Chamorro threatened to resign if Chepon were forced out.[491]

Second Pegasus Invasion

In late January or early February 1985, immediately after the planning meetings in Miami, members of Operation Pegasus, led by Jack Terrell and Joe Adams (who took a brief leave as Defendant Calero's body guard) returned to Honduras to train with FDN and Miskito Indian forces and to launch the second Operation Pegasus invasion of Nicaragua. Fourteen Americans, including Terrell and Adams, were involved, eight of whom graduated from Frank Camper's mercenary school.[492] Terrell, Adams and the twelve other American volunteers

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[489]Rojas Deposition, supra, pp. 178-198.

[490]Rojas Deposition, supra, p. 296.

[491]Owen Congressional Testimony, supra, Exhibit RWO-9 (memo from "TC" [Owen] to "BG" [North], dated August 25, 1985; Owen Deposition, supra, pp. 555-56.

[492]"Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

selected by Posey, left Miami on a commercial flight to Tegucigalpa, Honduras. From there, they went to an abandoned Miskito base near Rus Rus.[493]

Defendant Posey put Terrell in charge of this mission,[494] which was to spearhead Operation Pegasus by establishing an armed base camp of 100-200 U.S. volunteers and 500 Miskito Indians inside northern Nicaragua by the summer of 1985. By the winter of 1985 the U.S. and Nicaragua would be in open war. Pegasus troops would be in Managua by Christmas. Adams claimed the plan was developed by Posey and Terrell.[495]

On February 26, 1985, Terrell and Adams led a group of 50 contras, including American mercenaries, on a mission to destroy a strategic bridge at Sinsin in Escala province of Nicaragua. Food was running low by time they reached the bridge and the terrain was different than expected. More importantly, it was discovered that the bridge was defended by several hundred more Nicaraguan government troops than expected. The attack was called off.[496] The men did, however, leave behind several hundred pounds of C-4 in a cache near the bridge. In approximately June of 1985, this C-4 was used to blow the

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[493]"14 Rambos Cracked Under Pressure," Baltimore Sun, January 4, 1987.

[494]"14 Rambos Cracked Under Pressure," Baltimore Sun, January 4, 1987.

[495]"14 Rambos Cracked Under Pressure," Baltimore Sun, January 4, 1987.

[496]"Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

bridge up at the direction of Sam Hall, who was brought in to replace Terrell.[497] Adams claimed that the team also set three percussion land mines in the public road and heard that at least one went off, killing more than 20 Sandinista soldiers.[498]

After returning to their base, the Americans were ordered out of the country.[499] On March 15, 1985, Terrell was surrounded by armed Honduran soldiers and escorted to a plane bound for Miami. Lt. Col. Oliver North later took credit for Terrell's expulsion from Honduras, claiming that he sent a message to Honduran officials to throw Terrell out of the country.[500] Approximately two days later, Sam Hall arrived in Honduras to take over the command from Terrell.[501]

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[497]Continued Deposition of Sam Hall, March 9, 1988 (hereafter Continued Hall Deposition"), pp. 47, 123.

[498]"Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

[499]"Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

[500]"North Waged War on Detractors," Chicago Tribune, August 30, 1987. Sam Hall, who at this time was preparing to go to Rus Rus to continue with the operation, testified that Terrell and his troops had to pull out of the Miskito camp because of their military foul-ups, calling it a "bad scene" and that they were ordered to pull out by Rob Owen. Hall Deposition, supra, at 55-56; Continued Hall Deposition, supra, p. 124.

[501]Continued Hall Deposition, supra, p. 118.

Conspiracy to Bomb Los Chiles

The defendants developed another plot to create an incident that would draw the United States into armed combat with the Nicaraguans involved the bombing of Los Chiles, a small town on the border of Costa Rica and Nicaragua. A plane was to be painted up in the "Sandinista configuration", which would then drop bombs on Los Chiles. Jack Terrell described it as a "continuous undercurrent of -- really terrorist activity to try to draw the United States Government into direct conflict with the Nicaraguans because they were to be made to look like they were committing overt acts against a neutral and unarmed country, Costa Rica."[502]

CMA on the Southern Front: The March 6, 1985, Shipment of Arms

On March 6, 1985, a group of Cuban exiles and mercenaries, including Jesus Garcia and Steven Carr, shipped six tons of automatic rifles, mortars and other weapons from a Fort Lauderdale airport to the Nicaraguan rebels.[503] Defendant Corvo was in charge of the logistics of the shipment.[504] The weapons included a 14-foot, .20-millimeter cannon with 150 rounds of ammunition, a crate of 30 - 50 G-3 automatic rifles, a crate of M-16 and M-60 machine guns, several .60-millimeter mortars with 80 to 100 rounds each, a .50-caliber machine gun with 250

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[502]Terrell NBC Transcript, supra, p. 38.

[503]The Chronology, supra, pp. 88-89.

[504]Cockburn, supra, p. 40.

rounds, a sniper rifle and a shotgun.[505] The weapons, along with three kilograms of cocaine, were stored at the homes of Defendant Chanes and a relative of Defendant Corvo's.[506] The sniper rifle and a shotgun were from Defendant Posey's personal collection. The weapons, approximately 4,500 pounds, were flown to Ilopango Air Force Base in El Salvador by Daniel Vasquez II, a Cuban-American twice convicted of running guns to Cuba in the late 1950s and early 1960s, and his son.[507] Carr, who stated that he was recruited by Defendant Jones,[508] stated that the plane, a Convair cargo plane, was owned by Tom Boy, the head of the Florida Air Transport Company. Boy confirmed that his plane made the flight, but said it was leased to American Flyers, a Fort Lauderdale air charter

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[505]"Did Meese Block a Second Probe?," Village Voice, December 30, 1986, citing federal law enforcement officials.

[506]"NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987; "Did Meese Block a Second Probe?", Village Voice, December 30, 1986.

[507]"Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files; "Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, July 21, 1985; "Did Meese Block a Second Probe?", Village Voice, December 30, 1986.

[508]Jones' description of the same event is that in January of 1985, Carr knocked on Jones' hotel door while Jones was in Miami attempting to drum up support for the contras. Jones said he talked to Carr several times and referred him to Defendant Corvo. Jones Deposition, supra, p. 43.

company headed by Vasquez. The cargo was not checked because Vasquez filed a manifest stating that the plane contained used clothing and medicine.[509] Persons on the flight included Carr, Defendant Corvo and Robert Thompson, another mercenary. Thompson confirmed Carr's story.[510]

After landing at Ilopango, the plane was unloaded, and the weapons were taken to a nearby warehouse. A few days later, they were reloaded on smaller planes and sent to Defendant Hull's ranch in Costa Rica.[511] Defendant Corvo told the FBI that he had informed Defendant Hull that there were guns in the boxes.[512] Defendant Owen was present during the unloading.[513] The weapons were later used in a raid against the Nicaraguan town of La Esperanza led by Defendant Corvo.[514]

Carr, Corvo and Thompson traveled to Costa Rica by

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[509]Carr stated that on March 3, 1985, a van load of uniforms, boots and medicines had been loaded on the same plane. "Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, July 21, 1985.

[510]"Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, July 21, 1985.

[511]"Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files.

[512]Feldman Deposition, supra, p. 67.

[513]Owen Deposition, supra, pp. 107-8.

[514]"Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files.

commercial plane on March 9, 1985.[515] When they arrived, they were met by Costa Rican authorities who took them to Hull's ranch and told them they "did not have anything to worry about here in Costa Rica because our government is giving full support."[516]

An FBI investigation confirmed the above illegal activities.[517] U.S. Customs Service records also showed that Defendant Corvo chartered a plane to carry cargo from Fort Lauderdale to the Ilopango military airfield in El Salvador on that date and again on June 19, 1985.[518]

Arrest of the Mercenaries

Peter Glibbery and John Davies were two British mercenaries who had the Recondo School, a paramilitary training operation run by Frank Camper in Alabama. In February of 1985, Camper introduced the two Englishmen

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[515]"Cuban Exiles Said to Ship Guns to Rebels," Miami Herald, June 21, 1985.

[516]Roberto Cruz Sandoval Deposition, May 8, 1987 p. 53. U.S. Customs Service records confirm that Defendant Corvo chartered a plane to carry cargo from Fort Lauderdale to the Ilopango military airfield in El Salvador on that date and again on June 19, 1985. "CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," The Wall Street Journal, Jan. 15, 1987.

[517]Feldman Deposition, supra, p. 67.

[518]"CIA Role in Arming Contras Seen Larger than White House Has Acknowledged," The Wall Street Journal, Jan. 15, 1987.

to Defendant Posey who recruited them into the CMA.[519] In early March, Posey sent Glibbery and Davies to Miami to meet John Hull. When they met Hull at the Miami Howard Johnson's, he was accompanied by Larry Huff, whom he described as a business associate, and Felipe Vidal. They were subsequently joined by a French mercenary, Claude Chauffard. The next morning, March 9, 1985, the mercenaries and Huff all flew to Costa Rica.[520] The mercenaries' travel expenses were partially paid for by Hull.

Glibbery, Carr, Claude Chauffard and John Davies went first to Hull's ranch at Muelle, and then to another one of his farms at Pocosol. They spent the night with Bill Crone, a co-owner of the Pocosol ranch.[521] The following morning, they went further north toward Nicaragua to set up a camp just inside Nicaragua. Defendant Corvo worked with them, but they also took direction from Defendant Hull, whom they described as

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[519]Cockburn, supra, p. 27. Kornbluh, supra, pp. 82-86. It was Sam Hall who a week later brought Glibbery and Davies from Camper's gun shop to Posey in Decatur, Alabama for "their marching orders." Cockburn, supra, p. 27.

[520]Cockburn, supra, p. 29. Chauffard had been sponsored by James Keyes through a $10,000 donation to CMA. Keyes is closely connected to Vice President George Bush. Id. Testimony of Peter Glibbery in Hull v. Avirgan and Honey, First Penal Court, San Jose, Costa Rica, May 22, 1986, reprinted in LaPenca: On Trial in Costa Rica (hereafter "Glibbery Testimony"), p. 36.

[521]Crone Deposition, supra, pp. 260-1.

their "boss".[522] Glibbery wrote reports on the state of training, proposed troop utilization for the FDN and sent messages to Hull asking for advice.[523] Glibbery, Chauffard and Davies spent Easter at Hull's beach house.[524] They worked very closely with the local Costa Rican authorities who, at one point, issued Costa Rican arm bands to the contras so that they could arrest a Sandinista lieutenant whose parents lived in Costa Rica.

Shortly thereafter, Defendant Corvo led Carr, Robert Thompson and approximately 20 contras on an attack of a Sandinista outpost known as La Esperanza. The Costa Rican Rural Guard did reconnaissance for the raid. Casualty reports varied, with between 30-70 soldiers and civilians reported killed.[525]

Glibbery, Carr, Davies, Thompson and Chauffard were arrested on April 25, 1985, by Costa Rican officials shortly after the La Esperanza raid. One of the weapons confiscated was a sniper rifle which the U.S. Bureau of Alcohol, Tobacco and Firearms traced to Defendant

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[522]ABC Interview with Steven Carr and Peter Glibbery, September 15, 1985; Glibbery Testimony, supra, p.33. Crone testified that he delivered a note from Glibbery to Hull shortly after their arrival in which Glibbery told Hull of problems in the camp and asked for advice. Crone Deposition, supra, pp. 257-265.

[523]ABC interview with Steven Carr and Peter Glibbery, September 15, 1985; Crone Deposition, supra, p. 263.

[524]ABC Interview with Steven Carr and Peter Glibbery, September 15, 1985.

[525]Cockburn, supra, pp. 43-44.

Posey.[526] Posey also hired a lawyer for the mercenaries.[527] After Carr and Glibbery began to talk to reporters about their operation, Hull and Jim Denby, an American associate of Hull's living in Costa Rica, made repeated visits to the prison to get them to recant their statements. Carr eventually agreed and signed a retraction, which he later told CBS was done "for a basket of food." Ultimately, all five were freed on bail when Hull posted their bond, believing that the gesture would silence them.[528]

Sam Hall and the Rainbow Mission

One of Defendant Posey's and Singlaub's other volunteers was Sam Hall. Hall was a mercenary who had been working with Navy Capt. William Hamilton, director of U.S. Navy special operations, and was attempting to establish the "Phoenix Battalion," a privately funded, covert group that would mount worldwide "preemptive strikes" against organizations it defined as "terrorist."[529] In

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[526]"Obstruction at Justice," Village Voice, March 31, 1987, citing FBI files. The Chronology, supra, at 88-89.

[527]"Alabama's CMA Troops Face Hard Time in Jungle," Birmingham News, June 13, 1985.

[528]Cockburn, supra, pp. 46-47. Bill Crone testified that Hull attempted to put up property which Hull did not own as collateral for the bail. Crone Deposition, supra, p. 270.

[529]Deposition of Sam Hall, September 9, 1987, pp. 227-267. Ross Perot was apparently solicited to fund this group. Id., p. 258. Capt. Hamilton is now retired and an executive with the ANV Corp., a Jupiter, Fla.-based firm

February 1985, Hall was contacted by one of the planners of the Phoenix Battalion, a member of the 2506 Brigade.[530] Hall was told by this individual to "get into Central America" and to do so by aligning himself with CMA and Defendant Posey, who put him in touch with Defendant Owen.[531] Owen sent Hall to Honduras on a "fact-finding" trip in March 1985 with Mario Calero.[532] Hall reported to an American in Tegucigalpa and then to Defendant Owen back in the United States.[533] In early April 1985, after his debriefing by Defendant Owen, Hall was sent back to Honduras to become the military adviser and trainer in the Rus Rus Miskito camp, replacing Jack Terrell.[534] Hall's expenses were paid by Defendant Singlaub's non-profit, tax-exempt U.S. Council for World Freedom.[535] Thus, Hall was working for Singlaub, Owen and their superiors, under the guise of CMA.[536]

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[530]Sam Hall, Counter-Terrorist, (Donald I. Fine, Inc., 1987), p. 263.

[531]Hall Deposition, supra, pp. 57, 116-117. Sam Hall, Counter-Terrorist, p. 263.

[532]Hall Deposition, supra, p. 62-68.

[533]Hall Deposition, supra, pp. 74-78.

[534]Hall Deposition, supra, pp. 78-80.

[535]Hall Deposition, supra, pp. 27-28. Hall stated that he operated out of the TEA commando camp, a 30-minute walk from the Rio Coco, in Honduras. Id., p. 51.

[536]Hall deposition, supra, p. 127. Owen informed Hall at one of the meetings the two had that Hall would be in Honduras as an agent for Defendant Singlaub. Continued

While working for Singlaub, Hall developed a plan for a large military action called the "Rainbow Mission," which involved the invasion of Nicaragua by Americans and contras and the control of the Atlantic Coast of Nicaragua by the Miskitos. He sent a draft to Owen who passed it on to Singlaub.[537] Hall requested 500 pounds of the explosive C-4, Claymore mines, grenades and ground-to-air missiles to carry it out.[538] Hall testified that he knew the contras were already in possession of large amounts of C-4, which was stored at a contra base near Tegucigalpa.[539]

In early May, Hall met Defendant Owen in Tegucigalpa, the second time he had met with Owen in Honduras, and provided him with a list of military supplies that Hall needed. While Owen provided Hall with fuel which was used to launch assaults across the border into Nicaragua, he could did not supply Hall with the most of the other supplies requested.[540]

In approximately mid-June of 1985, Hall was ordered by Defendant Owen to leave Honduras and come to Boulder, Colorado to meet with Defendant Singlaub to discuss the military operation in Honduras and Hall's

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Hall Deposition, supra, p. 33.

[537]Hall Deposition, supra, pp. 101, 195, 142.

[538]Hall Deposition, supra, pp. 101-105; Exhibit D-3 (undated memo entitled "Rainbow Mission."

[539]Hall Deposition, supra, pp. 289-91.

[540]Continued Hall Deposition, supra, 31-32, 42.

arrangement with Singlaub.[541] Before the meeting, Hall had two telephone conversations with Singlaub in which they discussed the implementation of the Rainbow Mission and the provision of military supplies. Defendant Singlaub approved the Rainbow Mission and told Hall, who earlier had difficulty getting military supplies, that things were going to change and that Hall would get what he needed. Singlaub did say that as far as the requested missiles were concerned, he may only be able to get those manufactured in France.[542] Once the Rainbow Mission was approved by Defendants Owen and Singlaub and Lt. Col. Oliver North,[543] Hall's requests for military supplies were given to Owen, who passed them on to Defendant Singlaub.[544]

In June of 1985, Hall left Honduras for Colorado for his face-to-face meeting with Defendant Singlaub. Tom Posey and Robert K. Brown were also present for this meeting,[545] during which Singlaub explicitly approved the

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[541]Hall Deposition, supra, p. 119-127. Other persons at the meeting included Robert K. Brown of Soldiers of Fortune magazine, Posey and a member of the Omega, Ltd., the parent company of Soldier of Fortune. Id., pp. 119-125. Continued Deposition of Robert Owen, February 28, 1988, p. 318.

[542]Continued Hall Deposition, supra, pp. 27-34, 42-43.

[543]Hall Deposition, supra, p. 144-145; Continued Owen Deposition, supra, 327; Continued Hall Deposition, supra, p 44.

[544]Continued Owen Deposition, supra, p. 336; Hall Deposition, supra, pp. 309, 356.

[545]Continued Hall Deposition, supra, Volume II, p. 58.

Rainbow Mission. Singlaub then directed Hall to an explosives expert for consultation on the plan. Approximately a week later, Hall met with this expert and refined some of the placements of explosives provided for in the planned mission.[546] Singlaub also devised a plan to steal a Soviet-made MI-24 or HIND D helicopter from Nicaragua which would require a non-American pilot. Singlaub wanted Hall to lead this mission.[547]

After the Colorado meeting, Hall returned to Honduras and was directed by Singlaub and Owen, to implement the Rainbow Mission.[548] Owen also put Hall in touch with Aristides Sanchez, a FDN associate of Defendant Calero's, to whom Hall proposed becoming the liaison between the FDN and the Miskitos.[549] Defendants Owen and Singlaub traveled to Honduras in late July and met with Hall.[550] On approximately August 1, 1985, Hall was directed by Singlaub to go to a secret supply base in Aguacate, Honduras where he was shown a large supply of military equipment that Singlaub had provided for the Rainbow Mission. It included 500 pounds of C-4, five French ground-to-air SAM 7-like missiles, grenades, mortars and all of the other equipment Hall had

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[546]Continued Hall Deposition, supra, 88-89.

[547]Continued Hall Deposition, supra, pp. 54-57.

[548]Hall Deposition, supra, p. 308-310. Hall was in fact paid expenses by Owen and Singlaub. Id.

[549]Owen Congressional Testimony, supra, pp. 431-2 and Exhibit ROW-19.

[550]Owen Congressional Testimony, supra, pp. 430-1 and Exhibit ROW-8 and ROW-18.

requested.[551] At least half of this equipment was then transported to a supply facility closer to Hall's base camp.[552]

During their trip, Singlaub and Owen met with Calero, the FDN and Miskito Indian groups. After that meeting, Defendant Owen transmitted a demand from the Indians that Hall leave the Rus Rus camp. Owen left $400 for Hall's flight home to the U.S. and later indicated that Defendant Singlaub had paid Hall $1,500.[553]

Contra Drug Connection

By 1981, the Costa Rican farm of Defendant John Hull was known as a refueling and storage place for international drug dealers transporting drugs from

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[551]Hall Deposition, supra, pp. 144-147, 321, 365, 395, 397, 406. Continued Hall Deposition, supra, 44-50, Volume II, p. 28, 32.

[552]Continued Hall Deposition, supra, Volume II, 33-36.

[553]Owen Congressional Testimony, supra, pp. 430-1 and Exhibits ROW-8 (letter dated August 7, 1985, from Owen ("TC") to North ("Steelhammer") and ROW-18 (letter dated August 7, 1985, to Hall). Owen had earlier put Hall in touch with an FDN leader named Aristides Sanchez to whom Hall proposed becoming the liaison between the FDN and the Miskitos. Hall also proposed his "Rainbow Mission" in which he would train and lead the Miskitos in controlling the East Coast of Nicaragua. Id., pp. 431-2 and Exhibit ROW-19. See, also, Hall Deposition, supra, pp. 144-147.

Colombia to the United States.[554]
Defendants Vidal and Corvo, who were both known to Miami authorities as drug traffickers, established a cocaine transshipment operation on Defendant Hull's farm that would coincide with the shipment of arms.[555] Hull was aware of this activity, as were other intelligence officials in Central America.[556]

Defendants Vidal and Corvo coordinated the landing of small planeloads of cocaine on Defendant Hull's farm and the numerous other ranches managed by Hull along the Costa Rican border with Nicaragua. The cocaine on

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[554]Morales Testimony, supra, p. 18. Morales, a drug trafficker, stated that "Colombian friends," who were always looking for places "to stash the merchandise, points for fuel stops," on the way from Colombia to the Bahamas, told him about Hull's ranch. Id.

[555]Deposition of Carlos Rojas Chinchilla, November 5, 1987, pp. 50-51. Testimony of Floyd Carlton Caceres before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications, February 10, 1988 (hereafter "Carlton Testimony"). Cockburn, supra, p.89.

[556]Jose Blandon testified that he was aware that the contra operations served as an infrastructure for various illegal activities, including drug running. Blandon identified the Corvo-Vidal network as being involved in the traffic of arms and drugs in Central America. Blandon Deposition, supra, p. 48. Sebastian Gonzales, another contra who was under the control of Defendant Hull was arrested in Costa Rica for smuggling cocaine. Blandon Congressional Testimony, supra, February 9, 1988.

these planes came from Defendants Ochoa and Escobar, two of the largest cocaine producers and traffickers in Colombia.[557] It was unloaded and then reloaded for shipment to Miami, New Orleans and Memphis on Defendant Hull's farm and the other farms he managed.

A portion of the income earned by Defendants Hull, Vidal, Corvo and others from drug trafficking was used to finance the purchase of military equipment, ammunition and explosives by the contras.[558] Ramon Milian-Rodriguez, a convicted drug money launderer for the Colombian Medellin cartel, testified before the Senate Foreign Relations Committee that the 2506 Brigade was involved in the drug trade, and that the proceeds from drug trafficking were being used to support the contras.[559]

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[557]Panamanian drug pilot Floyd Carlton Caceres has said that he had been told that a plane loaded with 538 kilos of cocaine worth $18.8 million and piloted by Teofilo Watson, Carlton's partner, had landed on Hull's ranch in May of 1985. Carlton Congressional Testimony, supra; Blandon Testimony, February 9, 1988, supra, "Drugs Spark Panama Manhunt," Miami Herald, November 3, 1985. Apparently the drugs were never found, and the Cali drug cartel kidnapped Hull's daughter in an attempt to get them back. Blandon Congressional Testimony, February 9, 1988.

[558] Rojas Deposition, supra, 50-51. Cockburn, Cockburn, 171-175. Eden Pastora later identified Colonel "Paniagua" as Defendant Vidal's protector. Deposition of Eden Pastora, supra, p. 20.

[559]Testimony of Ramon Milian Rodriguez before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications (hereafter "Milian Rodriguez Testimony"), February 11, 1988, pp. 87-

In June of 1983, Defendant Hull and Marcos Aguado, one of his pilots, made a mysterious trip to Colombia and then to Miami to visit with Jorge Morales, a known drug and arms trafficker, in his office. Defendant Hull and Aguado arrived in a Beechcraft T-55 later identified as a plane involved in drug trafficking. Hull was accompanied by Gustavo Velez, a "Colombian friend," Aguado and Gerardo Duran, another of his pilots. The ostensible purpose of the visit was to obtain the transport of contributed grenade launchers to El Salvador.[560]

But shortly thereafter, the Enterprise developed a much more direct link to Morales. In March of 1984, Morales, who had just been indicted for conspiracy to import and distribute cocaine, was contacted by Popo Chamorro, Pastora's supply officer, Octaviano Cesar, a Pastora associate, and Marcos Aguado. They represented

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91. Milian Rodriguez, who was associated with Dr. Manuel Artime and had earlier been assigned to launder support money for the families of the Cubans involved in the Watergate burglaries, met with Defendants Escobar and Ochoa and Carlos Lehder of the Medellin drug cartel in Colombia to discuss a safe haven for the cartel's profits, which ranged between $50-100 million per month. Milian Rodriguez reached an accord with then-Colonel Manuel Antonio Noriega, head of Army Intelligence in Panama, to deposit the money in Panama, with Noriega to receive one percent of the monies delivered. Id. at pp. 33-37.

[560]Deposition of George Morales before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications, pp. 83-94.

themselves as contra leaders working with the CIA.[561] Morales was asked for "airplanes, money, training, weapons, explosives, any type, any kind of help" in exchange for "taking care of" his legal problems. Morales agreed to help, and gave the contras a DC-4, a DC-3, a helicopter and a Piper Navajo.[562] The other arrangement made was that Morales would transport drugs from Central America for the contras and then use the money to buy supplies and weapons to be returned to the contras.[563] Morales personally witnessed the loading of weapons and the unloading of drugs. Some of them came from the Tamiami gun shop of Defendant Martin.[564] In return,

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[561]CBS was told by eight sources that Cesar works for the CIA. "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987. Cockburn, supra, p. 169.

[562]Deposition of George Morales before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications (hereafter "Morales Congressional Deposition"),supra, pp. 29-33. Morales further testified that the DC-3 with the tail number "PaPa PaPa Delta Charlie" remains at Ilopango Air Force Base in El Salvador under the control of the CIA. Id., p. 56-7.

[563]Morales Congressional Deposition, supra, pp. 34-5 and 37 Morales further testified that he bought machine guns, automatic rifles, high-powered rifles, pistols and explosives to be shipped to the contras. At least once, he was personally at the airport in Fort Lauderdale when they were loaded. He also saw drugs being unloaded when the planes returned. Id., pp. 35-6.

[564]Morales Congressional Testimony, supra, p, 36.

Morales was assured that "high-level Washington people", including Vice President Bush, would keep him out of jail.[565]

In July of 1984, Morales took his first trip in which he transported munitions -- including M-16s, machine guns, C-4 and a cannon -- down to Costa Rica and drugs back for the contras. A second load followed shortly thereafter. Several other trips were made between July and October to transport marijuana between Colombia and the Bahamas. Contra pilots were trained by Morales to make the flights.[566] After a meeting on December 20, 1984, in Costa Rica with Popo Chamorro, Octaviano Cesar, Commandante Tito and Carol Prado, all contra leaders working with Eden Pastora, Morales received 160 kilos of cocaine for transport to the Bahamas and then on to Miami. Duran was the pilot for this load.[567] Shipments of cocaine continued until June 8, 1986. Morales sold the drugs and returned the proceeds to the contras.[568] Either Opa-locka Airport or Executive Airport in Fort Lauderdale were used to off-load the drug shipments.[569]

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[565]Cockburn, supra, p. 170.

[566]Morales Congressional Deposition, supra, pp. 77-9.

[567]Gerardo Duran, a contra pilot, flew this shipment of cocaine to Great Harbor in the Bahamas. It subsequently went to Miami. Another flight occurred on Dec. 27, 1985 (Costa Rica to Great Harbor) Morales Congressional Deposition, supra, p. 15-7.

[568]Morales Congressional Deposition, supra, p. 15.

[569]Morales Congressional Deposition, supra, pp. 14-16, 60, 74 and 78-99. Morales testified that he was the pilot on

Over $3 million in cash and other services, such as pilots and safe houses, went to the contras' offshore accounts from Morales. On October 13, 1984, Cesar went on a trip with Morales to the Bahamas to pick up $400,000 in cash from a local bank. Cesar filled out Customs forms declaring the money when he returned to the United States. Popo Chamorro also made a trip to the Bahamas and signed purchase papers for a Morales plane.[570]

Morales' pilots stated that they landed at Defendant Hull's ranch, unloaded, refueled, reloaded and returned back to the United States.[571] A Senate investigator has stated that "George Morales was close enough to Hull that he can describe the color of Hull's bedroom dresser."[572] Defendant Hull was paid up to $300,000 per flight.[573] "It was guns down, cocaine back," Gary Betzner, a pilot hired

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the first two or three flights. Id., p. 79. Morales gave a Cessna Titan 404, tail number N5273J to Popo Chamorro in 1985. Federal Aviation Administration record show that Chamorro tried to register this plane in the U.S. in May of 1985. "NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987, citing an interview with Morales.

[570]Cockburn, supra, p. 171.

[571]Morales Congressional Deposition, supra, p. 20-1.

[572]"NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987.

[573]Cockburn, supra, p. 172-3.

by Morales, said.[574] Betzner stated in an interview that he flew arms down to Hull's ranch and 1,000 kilos of cocaine back to the U.S. during a trip in 1984.[575] He was paid 20 kilos of cocaine per trip.[576] When he landed, "people that were hired by John Hull or working for him would load the aircraft. In both cases, John Hull was there." Betzner would land in broad daylight at Florida airports, the result of what he viewed as a CIA operation.[577] Morales estimated that the drug shipments from the contras were worth tens of millions of dollars.[578]

Law enforcement officials have confirmed that pilots working for the secret supply network were protected by certain persons at the CIA, who directed that their planes not be searched by Customs. Michael Palmer, a known drug smuggler, told one of his partners that he smuggled arms for the contras from Argentina to Honduras in cargo vessels and was protected in his Colombian dealings because he had a password that insured "a safe and

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[574]Doyle McManus and Ronald J. Ostrow, "Committee Probes Reports of Contra Drug Smuggling," Los Angeles Times, February 22, 1987.

[575]"NSC, CIA, and Drugs: The Contra Connection," Covert Action Intelligence Bulletin, Summer 1987.

[576]Cockburn, supra, p. 173.

[577]Cockburn supra, pp. 173-5.

[578]Morales Congressional Deposition, supra, p. 95.

undisturbed passage."[579]

By mid-1984, Defendant Jones was also receiving information that the contras were involved in narcotics trafficking.[580] Their lead pilot was Duran, who is now in prison in Costa Rica serving a sentence for drug trafficking. He was implicated in the escape of drug kingpin Rafael Caro Quintero from Mexican custody to Costa Rica.[581]

The contras also had another link to the powerful Medellin cartel. Between 1982 and 1985, the cartel contributed $10 million to the contra cause upon the request of Felix Rodriguez, who oversaw the contra resupply operation in El Salvador.[582] The money was passed by Milian-Rodriguez to couriers hand-picked by Rodriguez. Milian-Rodriguez, who was invited to President Reagan's inauguration, also met several times with Donald Gregg, Vice President George Bush's national

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[579]Affidavit of Alejandro Cerna Sanchez, dated January 27, 1988, filed in U.S. v. Cerna Sanchez (S.D. Texas); "Panel to Probe Alleged Contra-Drug Trade Links," Boston Globe, February 13, 1988.

[580]Jones Deposition, supra, pp. 182-3.

[581]Bill Crone, who is also a pilot, noticed that Duran's operation developed to the point that he was using the international airport. Crone Deposition, supra, p. 260-1.

[582]Rodriguez' other business was Giro Aviation Corp., where his partner was Gerald Latchinian, who was convicted for smuggling $10 million in cocaine into the United States to finance a coup against the president of Honduras. Cockburn, supra, pp. 155-6.

security adviser, and Rodriguez's old CIA boss.[583] The purpose of the contribution was to buy "goodwill."[584] Although a spread sheet of Milian-Rodriguez's financial accounts included a November 1982 entry for $3.69 million for the CIA, prosecutors never asked him a single question about it when he was convicted in 1985.[585] His testimony on this subject before the Senate Foreign Relations Subcommittee on Terrorism, Narcotics and International Communications has not yet been released.[586]

In late 1984, Felix Rodriguez asked Milian-Rodriguez for another favor: his assistance in laundering cash from some Miami companies to the contras. One of the companies was Ocean Hunter, a business run by Defendant Chanes. Milian-Rodriguez laundered approximately $200,000 a month through Ocean Hunter.[587]

There were other allegations of drug trafficking on Defendant Hull's ranch. Floyd Carlton Caceres, a convicted drug smuggler, alleged in his Congressional testimony that drug pilot Teofilo Watson went down with a load of drugs on John Hull's ranch in May of 1985. The drugs were never found. Jose Blandon testified that Hull's daughter was kidnaped by the owners of the drugs because

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[583]"Three Committees Track Down Smuggled Drugs, not Smoking Gun," In These Times, August 5 - 18, 1987; CBS, West 57th Street, July 11, 1987; Cockburn, supra, p. 154.

[584]Cockburn, supra, p. 155.

[585]Cockburn, supra, p. 153.

[586]Cockburn, supra, p. 155.

[587]Cockburn, supra, pp. 155-6.

they thought Hull had stolen them.[588]

Drug traffickers also played a role in the mining of the Nicaraguan harbors in 1983. Gary Betzner, a veteran drug pilot, picked up a DC-3 that had been confiscated from another drug dealer at Boca Chica Naval Station in Key West that was already loaded with six ship mines. He off-loaded the mines at the Ilopango military base in El Salvador. As part of the deal, he then went on to Rio Hacha on the north coast of Colombia and picked up 6,000 pounds of marijuana.[589]

In early 1985, Jack Terrell saw eleven contras carrying approximately 25 kilos of cocaine in Honduras.[590] During that same period, Defendant Owen was meeting frequently with contra leaders from the southern front to discuss military logistics and strategy. At least one of those meetings (March 29-30) was held in Washington, D.C., at which representatives of Negro Chamorro's group and another camp run by "the Cubans" were present. After that meeting, Defendant Owen identified Jose Robelo ("Chepon"), head of Chamorro's group, and Sebastian Gonzalez ("Wachan") are being involved in drug running. Others were stated to be making money on the side from the sale of U.S. goods.[591]

The Tolliver Drug Runs to Honduras

In late July or early August of 1985, Michael Tolliver, an American pilot finishing up a prison term in a halfway

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[588]Blandon Deposition, supra, p. 35.

[589]Cockburn, supra, p. 173.

[590]Terrell NBC Transcript, supra, p. 22.

[591]Owen's Congressional Testimony, supra, Exhibit RWO-7.

house in Georgia, was contacted by Barry Seal, a drug trafficker who was known for his ties to the CIA,[592] and asked to meet with people about working in a covert operation. Tolliver subsequently met with a man who identified himself as Eduardo Hernandez.[593] Tolliver later identified Hernandez as "Max Gomez," an enterprise associate whose real name is Felix Rodriguez.[594] In the first week of August, "Hernandez" took Tolliver to Tegucigalpa, Honduras, to meet with "his man," Wayne Westover (a/k/a George Wilson), a liaison for the contras

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[592]Deposition of Michael Tolliver in Midland National Bank v. Conlogue and American Aircraft et al., Case No. 83-1707K (D. Kansas), November 18, 1987 (hereafter "Tolliver Kansas Deposition"), p. 282; Cockburn, supra, at 180. Defendant Quintero later told Tolliver that Seal was one of the recruiters for crews and an integral part of obtaining people to fly military aid into Honduras. Tolliver Kansas Deposition, supra, p. 282.

[593]Deposition of Michael Tolliver, March 10, 1987 (hereafter "Tolliver Deposition"), p. 4. Hernandez's assistant in Miami was Miguel Perez. Id., p. 8. Based upon his conversations with Perez, Tolliver believed Perez to be working for Defendant Theodore Shackley. Id., supra, pp. 50-1.

[594]Tolliver Deposition, supra, p. 11. Tolliver Kansas Deposition, supra, pp. 282 and 425. Transcript of Immunity Proceeding, November 30, 1987, in Midland Bank et al. v. Conlogue and American Aircraft et al., Case No. 83-1707K (D.Kan.) (hereafter "Tolliver Immunity Proceeding"), p. 11.

in Honduras.[595] Westover then introduced Tolliver to Jose Ferrer, the man who would become Tolliver's liaison officer in Honduras.[596]

Ferrer told Tolliver that the job required flying aircraft loaded with military supplies into Honduras, that he would be protected, and that his "bonus" was to "get to sort of be an entrepreneur" himself on the return trip. Tolliver was told he would be paid $75,000 per trip, and the aircraft and crew would be furnished.[597] In December of 1985, Tolliver was introduced to Defendant Quintero, who was identified as "Hernandez's" boss, who assured him again that "everything would be taken care of on my return and that there was complete protection for us while we were in Honduras and there was complete protection coming back if we indeed decided to make use of their information."[598]

In January, "Hernandez" contacted Tolliver again and asked him to go to Quito, Ecuador, to meet with Defendant Quintero.[599] Quintero told Tolliver that he should have nothing more to do with Seal, but take all of

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[595]Kansas Deposition at 287.

[596]Deposition of Michael Tolliver, March 10, 1987 (hereafter "Tolliver Deposition"), pp. 1-7 and 9; Tolliver Kansas Deposition, supra, p. 284.

[597]Tolliver Deposition, supra, pp. 7-9.

[598]Tolliver Deposition, supra, p. 12.

[599]Because of weather problems, Tolliver landed in Guayaquil, and Defendant Quintero met him there. Tolliver Deposition, supra, p. 16.

his directions from the people in Miami.[600]

In March of 1986, "Hernandez" contacted Tolliver again and told him to come to Miami International Airport, where a loaded DC-6 and a crew was waiting. Tolliver then flew to Aguacate in Honduras, where 28,500 pounds of military supplies were unloaded.[601] The plane was then loaded with 25,360 pounds of marijuana, which Tolliver flew back to Homestead Air Force Base in South Florida as arranged. When he landed, Tolliver was met by a blue pickup truck, which took him out of the base.[602] The next day, Tolliver met Hernandez at the Fountainbleau Hotel where he was paid $75,000 in cash for the transshipment of arms to Honduras.[603] Hernandez also promised Tolliver that he would be paid $150,000 for the return shipment of drugs. However, Hernandez never made this payment.[604]

In July of 1986, Hernandez contacted Tolliver for a second trip for the Enterprise. Tolliver flew a DC-3

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[600]Cockburn, supra, p. 182. This was one month before Seal was murdered in New Orleans on orders of the Colombian cocaine cartel. Id. Tolliver verified the accuracy of pages 179-188 of Cockburn. Tolliver Kansas Deposition at 325-326.

[601]Tolliver Deposition, supra, pp. 21-3.

[602]Immunity Proceeding at 10-11; Kansas Deposition at 17-18. Cockburn, pp. 182-183.

[603]Tolliver Deposition, pp. 27-28; Immunity Transcript at 11; Kansas Deposition at 265, 424.

[604]Tolliver Deposition, supra, pp. 27-8. Tolliver Kansas Deposition, pp. 264 and 446-447.

loaded with about 6,000 pounds of ammunition from Port-au-Prince, Haiti, to Aguacate. By filing a flight indicating that he was going to another area of Haiti, he avoided having to file his plan in Miami.[605] On the return trip, Tolliver flew to Colombia where drugs were loaded, and then to the Bahamas to off-load, and finally back to Haiti.[606] Tolliver received $20-30,000 for this flight.[607] Tolliver also admitted to landing planes on John Hull's ranch.[608]

By 1984, after the La Penca bombing, CIA and U.S. embassy sources in Costa Rica were beginning to accuse the contras operating near Defendant Hull's property of drug trafficking.[609] No action was taken, however, despite other warnings. In 1986, after Gerardo Duran, a contra pilot working for George Morales, was arrested for transporting cocaine to the United States, the allegations of drug trafficking reached George Shultz, the Secretary of State. After Shultz talked personally with Pastora and

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[605]Tolliver Deposition, supra, pp. 30-34.Morales is alleged to have set up Haiti as a major transshipment point.

[606]Tolliver Kansas Deposition, supra, p. 448.

[607]Tolliver Kansas Deposition, supra, p. 460.

[608]Tolliver Kansas Deposition supra, p. 407.

[609]Prado Deposition, supra, p.39-40. Prado stated that Armando, an official CIA contact for the contras, was one of the persons accusing the contras of drug trafficking. Id. William Crone, Defendant Hull's business partner, also testified on Oct. 30, 1987, that he had been told to stay away from "certain people" because they were trafficking in narcotics.

"reiterated the U.S. position that no resistance group would receive any U.S. assistance if it retained within its ranks any member who has engaged in drug trafficking," the issue was not raised again.[610]

In the summer of 1986, Defendant Vidal was arrested by the Costa Rican Rural Guard with arms and drugs and "escaped" back to Florida.[611] He later returned to Costa Rica.

The Tolliver Kansas Case

In Midland National Bank, et al. v. Conlogue and American Aircraft et al., a civil case involving Michael Tolliver presently before Hon. Patrick F. Kelly, U.S. District Court for the District of Kansas, allegations of American pilots running arms and ammunition to the contras and returning to the United States with narcotics were substantiated. In that case, it is alleged that in late 1982, an undercover agent of U.S. Customs leased a plane, claiming that it would be used in an undercover operation. On approximately January 3, 1983, the pilot, Michael Tolliver, returning from Colombia with a plane loaded with marijuana, crashed off the coast of the Grand Cayman Islands.[612]

At the plaintiffs' request, Tolliver was called for a deposition in Kansas. Tolliver, who is currently serving time at the Federal Corrections Institute in Butner, North Carolina, took the Fifth Amendment to key questions

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[610]Undated State Department Report entitled "Allegations of Drug Trafficking and the Nicaraguan Democratic Resistance."

[611]Cockburn, supra, p. 236.

[612]Tolliver Immunity Proceeding, supra, p. 2.

whereupon Judge Kelly "put in place a proceeding following plaintiff's counsel's request that the Attorney General extend to Mr. Toliver immunities with regard to his testimony."[613]

After immunity was granted, Tolliver confirmed his activities in the guns-for-drugs operation described above.[614] Judge Kelly stated: "[I] find it to be incredulous, but, more than that, if true, is deserving of the fullest form of inquiry to ascertain if it is true."[615] The judge continued: "I have found...that there's some credence to your claim, which is to say that in a covert way the United States does acquiesce in the sale of drugs on the open American market and which is intended in part to fund covert activities in Central America..."[616]

Judge Kelly stated that he read the Affidavit of Daniel P. Sheehan, filed in this case on December 12, 1986 and that "The sum of the contents of Mr. Sheehan's affidavit is alarming to say the least. It identifies and describes the most evil and sinister form of conduct I can imagine...Simply said, if Mr. Sheehan proves just half of what he claims, in time there will be many arrests and prosecutions of a goodly number of people, some of whom presently serve in very high places in this government. ."[617]

Judge Kelly then stated that he would send the

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[613]Tolliver Immunity Proceeding, at 3.

[614]Tolliver Immunity Proceeding, at 3-5.

[615]Tolliver Immunity Proceeding, supra, p. 12.

[616]Tolliver Immunity Proceeding, supra, p. 12.

[617]Tolliver Immunity Proceeding, supra, p. 15.

Tolliver deposition and transcript of the immunity proceeding to President Reagan, CIA Director Webster and FBI Director Sessions,[618] and stated in sum: "[I] am certain in time full disclosures will be made to the American people and, if you will, the one reason I would do any of this is because it is in the public's interest that the truth is to surface."[619]

January 1984: Obtaining Private Funding for the Contras

Lt. Col. Oliver North of the NSC was the White House liaison to the CIA on the contra issue. In early 1984, North -- with others, including William Casey -- began to develop a plan to continue the contras' military effort to overthrow the government of Nicaragua despite an approaching congressional ban on such aid.[620] The plan included the solicitation of funds from other countries and private citizens, some under false pretenses; falsification of documents; perjury before Congressional committees; and the development of a vast "off-the-shelf" covert operation that was self-sustaining and accountable only to the Enterprise. North was to act as the "liaison" to the off-the-shelf operation for the men inside the

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[618]Tolliver Immunity Proceeding, supra, p. 17-18.

[619]Tolliver Immunity Proceeding, supra, p. 19.

[620]The second Boland Amendment to the Defense Appropriations Act, which prohibited all assistance to the contras by any defense or intelligence agency of the U.S. government was approved by the U.S. House of Representatives in August of 1984 and effective from October 12, 1984 to October 18, 1986. Iran-Contra Congressional Report, supra, p. 41. Its passage had been anticipated for some time prior to the action.

Reagan administration who, in their private capacity, participated in these illegal operations. The initial task was to raise enough money to continue contra military operations.[621]

By February of 1984, North wrote McFarlane explaining that without additional funds the program would be drastically curtailed. North proposed immediate efforts to obtain additional funding of $10-15 million from foreign or domestic sources. McFarlane asked Israel to become the sole funder of the contras, but Israel declined. As a result, on March 27, he met with Casey and proposed another plan to approach third countries. McFarlane then directed Howard J. Teicher, the NSC's director of Near East affairs, to approach Israel a second time. Israel again declined to participate.[622]

Earlier, in January of 1984, South Africa expressed its willingness to provide contra aid during a meeting between a South African official and Casey. In April, Duane (Dewey) Clarridge traveled to South Africa to follow up on the offer. During his April visit the mining of the Nicaraguan harbors became public, and CIA deputy director John N. McMahon directed Clarridge to postpone

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[621]Iran-Contra Congressional Report, supra, pp. 36-8; Miami Herald, December 7, 1986.

[622]When confronted by Secretary of State George Shultz about the approach to Israel, McFarlane denied that he had directed it. Testimony of George Shultz, Joint Hearings on the Iran-Contra Investigation, July 23, 1987 (hereafter "Shultz Congressional Testimony"), pp. 13-4; Iran-Contra Congressional Report, supra, pp. 36-8.

South African contra aid.[623]

The funds for the secret network eventually came from Saudi Arabia, which was approached by an associate of Defendant Secord; NSC Director Robert McFarlane; and the CIA's Chuck Cogan, a personal friend of Prince Bandar's. Saudi Arabia's contribution was a quid pro quo for military equipment without restrictions on its use, specifically 400 Stinger missiles. On Memorial Day, President Reagan invoked emergency procedures to bypass Congressional restrictions. McFarlane then obtained the number of a contra bank account in the Cayman Islands from North and, on June 22, gave the number to Prince Bandar.[624] On June 27, Prince Bandar went to Geneva with an $8 million check which he directed the Swiss Bank Corporation to disburse to the Cayman Islands account at the rate of $1 million a month.[625] The first $1 million

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[623]Iran-Contra Congressional Report, supra, p. 38, citing Testimony of Duane Clarridge, Joint Hearings on the Iran-Contra Investigation, August 4, 1987 (hereafter "Clarridge Congressional Testimony"), pp. 29-33. Clarridge and the CIA continued to attempts to obtain aid from the South Africans. Eden Pastora testified that a CIA Costa Rican operative, Daniel Pacheco, arranged a meeting in San Jose in the fall of 1984 between Pastora and representatives of the South African security forces. Pastora stated that no assistance was received from the South Africans. Pastora Deposition, supra, pp. 102-4.

[624]FDN bank statements; New York Times, March 6, 1987; Wall Street Journal, March 6, 1987 Bob Woodward, Veil: The Secret Wars of the CIA, New York, Simon & Schuster, 1987 (hereafter "Woodward"), pp. 351-5.

[625]Woodward, supra, pp. 351-5.

contribution was deposited in the account in July of 1984.[626]

These steps were taken despite serious opposition and orders directing North, Casey and McFarlane not to take such action. On June 25, at a meeting of the National Security Planning Group attended by President Reagan, Vice President George Bush, Secretaries Shultz and Weinberger, Presidential Counsel Edwin Meese, CIA Director Casey, and McFarlane, McFarlane proposed that the President seek third-country funding. Chief of Staff James Baker opposed the plan, calling it an "impeachable offense." Although everyone agreed that they would do nothing without an opinion from then-Attorney General William French Smith, on that very same day, North arranged for the transfer of funds from Saudi Arabia. Aware of the illegality of his acts, North issued a series of instructions to Defendant Calero: "never let agency know of amt, source, or even availability" of the funds; "No one in our govt. can be aware"; and "Your organization must not be aware."[627]

On June 26, at a meeting with Casey, Attorney General Smith said that the United States could "discuss" support for the contras with other countries if it were clear that the United States would not repay their commitment and that the CIA's congressional oversight committees were informed. The congressional committees were not informed of North's and McFarlane's actions

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[626]FDN bank statements; New York Times, March 6, 1987; Wall Street Journal, March 6, 1987.

[627]Iran-Contra Congressional Report, supra, p. 39.

until 1987.[628]

Fall 1984: Another Search for Private Funds

In the fall of 1984, the contras were again running out of funds. After an initial contact requesting continued funding to Saudi Arabia by McFarlane, North asked Defendant Secord to make a follow-up contact. Secord did so, and the ambassador said that he was going to "take it up with the head of state." In February of 1985, King Fahd of Saudi Arabia agreed to contribute an additional $24 million.[629] Secord took the credit for this contribution,[630] which was sent directly to Defendant Calero's bank accounts.[631]

Defendant Singlaub, with the approval of Defendant Calero and North, also began soliciting military assistance, including bullets, guns and air defense missiles, for the contras from South Korea and Taiwan in 1984 in meetings at their embassies in Washington, D.C.[632] In January of 1985, Singlaub visited senior government officials in those

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[628]Iran-Contra Congressional Report, supra, pp. 38-40; FDN bank statements; New York Times, March 6, 1987; Wall Street Journal, March 6, 1987.

[629]Iran-Contra Congressional Report, supra, p. 45.

[630]Calero Congressional Testimony, supra, p. 19.

[631]Iran-Contra Congressional Report, supra, p. 45.

[632]Singlaub Congressional Testimony, supra, Exhibit JKS-8 (memo dated December 4, 1984, from North to McFarlane in which it is reported that Singlaub offers to arrange meetings with Calero and makes proposals based upon agreements with Calero).

countries, outlined the contras' military needs, repeated his solicitations for military supplies, and proposed three alternative means of funneling the money to the contras: (1) deposit money directly into a foreign bank account for which there would be no accountability; (2) give Defendant Singlaub an instrument that he could deposit in a foreign bank account; or (3) use money from a commission ostensibly designated for a vendor of arms for other purposes. The countries' representatives were given a 3x5 card with the name and number of the bank account on it, which Defendant Singlaub had been given earlier by North.[633] Defendant Singlaub stated that he was acting solely as a private citizen In late 1985, North met directly with a representative from Taiwan, which then made a contribution of $2 million for "humanitarian" assistance. The money, however, was placed directly into the Enterprise's Lake Resources Swiss Bank account to be used for lethal aid.[634]

In the period from July 1984 to March 1985, Defendant Calero received a total of $32 million. He received monthly $1 million deposits until February of 1985 when he received two deposits of $5 million and $4 million, respectively. In March, Defendant Calero received two deposits of $7.5 million each. After March, no additional funds were deposited in that account[635], and the Enterprise removed the day-to-day control of funds from Calero. Defendant Secord took credit for raising the $24

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[633]Singlaub Congressional Testimony, supra, pp. 194-201.

[634]Iran-Contra Congressional Report, supra, pp. 44-5 and 63.

[635]Calero Congressional Testimony, supra, pp. 20-3 and 53-4 and Exhibits AC-2 and AC-6.

million that was funneled to the contras in February and March of 1985, and for much of the other funds.[636]

The Enterprise Approaches the Medellin Drug Cartel for Funds

Another source of funds for the contras was the powerful Medellin drug cartel in Colombia. Between 1982 and 1985, upon the request of Felix Rodriguez, who was working with the contras and their supply effort in El Salvador and Honduras, the cartel contributed $10 million to couriers handpicked by Rodriguez.[637]

In its continuing search for funds, the Enterprise made another valuable contact through Defendant Hull and the contras on the southern front. As discussed above, it approached George Morales, an indicted drug trafficker in Miami with a proposal to train contra pilots to fly arms down to Central America and drugs back. Morales would get a personal profit and obtain assistance with his legal problems. Under this arrangement, Morales' contra pilots made numerous flights between 1984 and 1986 and imported tens of millions of dollars of drugs into the United States for the benefit of the Enterprise. Refueling

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[636]Calero Congressional Testimony, supra, p. 18-9. In September of 1986, during a meeting with Defendant Owen, Defendant Secord said he had met with Prince Bandar of Saudi Arabia "before King Fahd came to visit the President" (what's that date?), and that Saudi Arabia had provided $15 million to the contras because of that meeting. Owen Congressional Testimony, supra, p. 361.

[637]"Three Committees Track Down Smuggled Drugs, not Smoking Gun," In These Times, August 5 - 18, 1987; CBS, West 57th Street, July 11, 1987; Cockburn, supra, p. 154.

often occurred on Defendant Hull's airstrips.[638]

Defendant Owen: Covering for the Enterprise

During this same period, North and other members of the Enterprise also began to establish the infrastructure required to manage the contras' supply and military operations against Nicaragua. To hide their roles from the press, the public and government law enforcement officials, North and Defendant Hull and Calero solicited Defendant Owen in 1983 to become part of the Enterprise. Owen had met North and Hull in mid-1983. Hull, a native of Indiana, met and became friendly with Owen, at that time a staff assistant to Senator Dan Quayle of Indiana, when Hull made a visit to Quayle's office to lobby against Pastora and for additional contra aid. Owen, according to his testimony before the Iran-Contra Select Committees, introduced Hull to various Administration officials including North.[639] Shortly thereafter, Owen, still a Congressional staffer, visited Hull's ranch. His airfare was paid by Hull and William Crone.[640] During the trip, Owen visited Pastora as part of his "fact-finding" mission to

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[638]Cockburn, supra, pp. 168-75.

[639]Owen Congressional Testimony, supra, pp. 325-6.

[640]Owen's Congressional Testimony, supra, p. 329. Owen said the payment for this trip was cleared by the Senate Ethics Committee. Id. On October 30, 1987, William Crone, an American sawmill operator and business partner of Defendant Hull, in testimony before the Senate Foreign Relations subcommittees on economic policy and narcotics, terrorism and international operations, stated that he paid for half of Owen's trip. See, also, Crone Deposition, supra, p. 191.

determine if Pastora was still sympathetic to the Sandinistas.[641] Owen and North also had several meetings that summer to discuss the contras. By November of 1983, Hull and Owen were corresponding and referring to North as "B.G." [Blood and Guts], a code name used by North over the next three years of the Enterprise's operations.[642]

In November of 1983, Defendant Owen went to work for Gray & Co., a Washington, D.C.-based public relations firm with close ties to the U.S. intelligence community and the White House.[643] In April of 1984, Defendant Calero asked Gray & Co. for representation for the contras. Although the firm was not comfortable with representing the contras, Defendant Owen used his position to draft various aid schemes for Calero. These included using a nonprofit organization in the U.S. to raise funds for "non-lethal" aid and relying on proprietary companies overseas to purchase weapons.[644] Both of them were subsequently implemented by the Enterprise and resulted in indictments for Defendants Hakim and Secord and North and

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[641]Crone Deposition, supra, p. 193.

[642]Iran-Contra Congressional Report, supra, p. 36.

[643]Testimony of Robert Owen, Joint Hearings on the Iran-Contra Investigation, May 14, 1987, p.325. Owen's direct supervisor was Neil Livingstone, who is also president of the Institute on Terrorism and Subnational Conflict. The Institute was later used by the enterprise to funnel tax-exempt funds to pay the salary of Defendant Owen. Poindexter et al. Indictment, supra, para. 34.

[644]Owen Congressional Testimony, supra, p. 326.

Poindexter.[645] In the spring of 1984, while still a Gray & Co. employee, Defendant Owen assumed the crucial role for the Enterprise of obtaining and transmitting information about the financial and military needs of the contras to North and other members of the Enterprise who wanted to remain covert.

In May of 1984, Defendant Owen traveled to Costa Rica and Honduras to obtain information for the Enterprise. At that time, the contras stated that they needed $1 million a month to maintain the status quo and $1.5 million if they were to grow. Owen's job was to evaluate that request.[646] Over the next several months, Owen made other trips to Central America and also to various locations in the United States. In August of 1984, Defendants Calero, Owen and Singlaub met several times with Col. North at the Republican National Convention in Dallas to discuss providing military and non-military aid to the contras.[647]

In addition, Owen began to raise funds. In July of 1984, while the first Boland amendment was in effect, Defendant Owen made contact with an individual representing South Africa [Country Six] to obtain what he code-named "toys", but were actually arms for the contras.[648] Owen, like other members of the Enterprise, was already aware that other countries often demanded

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[645]Poindexter et al. Indictment, supra.

[646]Owen's Congressional Testimony, p. 326-7.

[647]Owen Congressional Testimony, supra, p. 330.

[648]Owen's Congressional Testimony, pp. 328-9 and Exhibit RWO-1 (letter dated July 2, 1984, from Rob Owen to Oliver North).

favors in return for their assistance. After his meeting, he wrote to North:

> He believes it can be done, but as you suspected there probably will be some quid pro quo. It may only be assurances that come December or January certain equipment could be purchased from here or possibly even from a third country. He does not speak for the party in question but does have an idea what they might want.[649]

Owen returned to Central America in October of 1984. Before he left, North gave him classified government photographs and maps which Owen delivered to Defendant Calero in Tegucigalpa for a proposed contra military operation.[650] He also met in Costa Rica with Defendants Calero and Hull at which time he agreed to leave Gray & Co. and work with Defendant Calero to "do whatever I could to assist him in the coming months before the U.S. Government decided to give funding back to the Contras." He was to receive $2,500 a month and expenses from Calero. Later, the Enterprise found way to pay Owen from government funds. During the same trip, Calero agreed to give Hull $10,000 a month to provide assistance to the southern front.[651] This money replaced earlier CIA pay-offs to Hull for his support of the contras.

Between late 1984 and early 1985, Defendant Owen

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[649]Owen Congressional Testimony, supra, Exhibit RWO-1 (letter from Owen to North, dated July 2, 1984.

[650]Owen provided maps to the contras on at least three occasions in late 1984 and 1985. Owen Congressional Testimony, supra, p. 363.

[651]Owen's Congressional Testimony, supra, p. 330-2

participated in at least half a dozen meetings with top contra officials and others in Miami to discuss the military and financial needs of the contras. Defendant Hull was present at some of the meetings,[652] as were Defendants Calero and Posey and Jack Terrell, a mercenary who was overall chief of the northern front operation. Other meetings took place in Houston, Costa Rica and Honduras.[653] Owen became the main channel of communication between the contras and North and various members of the Enterprise.

The Enterprise Establishes a Public Fund-raising Front

By January of 1984, Defendant Singlaub was meeting with Defendant Calero to assist the contras by providing them with former military advisers private funds he helped raise.[654] Meanwhile, Singlaub was already providing similar assistance to neighboring El Salvador, where Congress had limited the number of U.S. military advisers allowed to serve there to 55.[655] But Singlaub's most visible role in this venture of the Enterprise was to act as a highly visible "lightning rod" to detract the attention of the press from the much more significant fund-raising activities of

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[652]"Ex-State Dept. Consultant Called Key Link to Contras," Baltimore Sun, December 28, 1986. The need to protect Hull's farm was also discussed. Id.

[653]"Ex-State Dept. Consultant Called Key Link to Contras," Baltimore Sun, December 28, 1986.

[654]Singlaub Congressional Testimony, supra, pp. 186-7.

[655]Deposition of John K. Singlaub, March 7-8, 1988 (hereafter "Singlaub Deposition"), pp. 252-3.

McFarlane, North, Secord and Calero.[656] By June of 1985, reporters were close to establishing a link between contra support and NSC staff members. But North and Singlaub had already begun to implement their plan to divert press attention away from the NSC by presenting Singlaub as the main fund-raiser for the contras. As a front man for the private contra aid network, Singlaub was a natural choice. He was the highly vocal head of the United States Council on World Freedom ("USCWF"), the United States chapter of the World Anti-Communist League ("WACL").

To cover the actual operations of the Enterprise, Defendant Singlaub courted the press. In the months following his meeting with North, he was featured in virtually all of the major newspapers as the main contra fund-raiser. Singlaub publicly stated in early 1986 that he had raised millions of dollars of private humanitarian aid, and that he did so as a "surrogate" for government officials. Meanwhile, Defendant Calero contributed to this press diversion by mentioning that he had received $25 million in aid from an unnamed source. Singlaub represented himself as the person who had "stepped in" to replace North as the liaison with the political and military leadership of the contras and was widely viewed as having kept the contras alive.[657] In actuality, as Singlaub testified

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[656]Iran-Contra Congressional Report, supra, p. 48, citing testimony of Oliver North. Singlaub also attempted to obtain arms contracts from the contras for his friend Barbara Studley. Except for one $5.3 million deal, he was unsuccessful. See discussion, infra.

[657]Transcript of "Who's Running This War?," PBS Frontline, March 18, 1986, p. .9; Iran-Contra Congressional Report, supra, p. 121; "Private Groups Step Up Aid to the

before the Iran-Contra Congressional committees, he raised less than $1 million.[658] But, as that "surrogate," he also solicited funds for military aid from American citizens in violation of the U.S. Neutrality Act.[659]

Defendant Singlaub played a more serious role in the covert fund-raising effort. In late November of 1984, North approved his efforts to solicit funds for "bullets, guns and anti-aircraft missiles" for the contras from Taiwan and South Korea, where Singlaub had made high-level contacts during his military career. Calero also solicited funds from Taiwan.[660]

Defendant Owen was the courier for Col. North, delivering the Enterprise's Swiss bank account number to a representative of Taiwan in Washington in the summer or fall or 1985.[661] Earlier, Gaston Sigur, Assistant Secretary of State for East Asia and Pacific Affairs, had told this official that arrangements for transmitting $1 million a month to the contras would be forthcoming.[662] In late 1985, Taiwan contributed $2 million.[663]

Contras," Washington Post, May 3, 1985.

[658]Singlaub Congressional Testimony, supra, p. 190.

[659]Transcript of "Frontline: Who's Running This War?" PBS, March 18, 1986, pp. 16-7.

[660]Calero Congressional Testimony, supra, p. 164.

[661]Owen Congressional Testimony, supra, p. 352.

[662]Testimony of Gaston Sigur, Joint Hearings on Iran-Contra Investigation, May 14, 1987 (hereafter "Sigur Testimony", p. 291.

[663]Iran-Contra Congressional Report, supra, p. 45.

The Enterprise's Supply Operation

In addition to raising money, the Enterprise needed to establish a system for the delivery of supplies and operational support to the contras. The operation encompassed the illegal provision of intelligence, the construction and use of air fields in foreign countries under false pretenses, the training and hiring of mercenaries, the implementation of military operations, and the use of falsified documents.

To implement the off-the-shelf operation, North turned to the Enterprise, including Defendants Shackley, Clines, Hakim and Secord, for reactivation of its military supply operations to the contras. Defendant Quintero would again be the supply officer. As of approximately March of 1984, the Enterprise would be directing the supply of military equipment to the contras in Honduras and through Defendant Hull's ranch in Costa Rica. Between March 1984 and May 1984 that the Enterprise supplied the C-4 explosive used to bomb the May 30, 1984 press conference of Eden Pastora at which Plaintiff Tony Avirgan and others were injured and several other people were killed.

In early 1984, North and Casey met several times to discuss the creation of the contra support infrastructure. According to North, Casey suggested Defendant Secord as a "person who had a background in covert operations... and was a man who, by Director Casey's definition, got things done, and who had been poorly treated." Based on those conversations, North approached Secord and asked him to become involved in supplying the contras. As had been earlier proposed to North by Defendant Owen, Secord was to establish private commercial entities for that purpose. According to North, it was to be a private, "self-sustaining operation" so there would "always be something there which you could reach out and grab when you needed it. Director Casey said he wanted something you

could pull off the shelf and use at a moment's notice."[664] The criteria for the companies relayed to Defendant Secord was that the operations be "revenue producers," "self-sustaining," and provide "fair, just, reasonable compensation" to those involved.[665] North asked for, and was given, Calero's bank account number which was subsequently given to Defendants Singlaub and Secord.[666]

Over the life of this venture, the Enterprise developed a plan to use the excess funds obtained by large mark-ups on arms sales to the Iranians not only for the contra activities, but for other illegal covert operations as determined by Casey, North and the Enterprise.[667] Secord developed a "layout" to demonstrate how commercial entities could be used to support such activities.[668] North later described Secord as "the boss of the organizations and the commercial Enterprises that he set up to assist the Nicaraguan resistance" and responsible for the details.[669]

At the time of this approach from North, Secord was in partnership with Defendant Albert A. Hakim in a company called Stanford Technology Trading Group

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[664]Iran-Contra Congressional Report, supra, p. 40.

[665]North Congressional Testimony, July 10, 1987, supra, p. 156.

[666]Calero Congressional Testimony, supra, pp. 18-19.

[667]North Congressional Testimony, supra, July 13, 1987, pp. 44 and 154.

[668]North Congressional Testimony, supra, July 8, 1987 (afternoon), p. 5.

[669]North Congressional Testimony, July 7, 1987, supra, p. 209.

International. Hakim was the chairman of the board and Secord was the president.[670] They were an unlikely pair to trust with highly secret operations. Secord had already been denied a security clearance by the CIA because of his involvement with Edwin Wilson, and Hakim was under investigation by the CIA and the FBI. Earlier, during the 1970s, Hakim had been forced to leave the U.S. as an "undesirable alien."[671] In 1980, the CIA told its San Francisco agent to avoid Hakim because of his past association with Frank Terpil and Edwin Wilson and because of the "FBI's suspicions of illegal activity on the part of the Stanford Technology Corporation." Hakim became a U.S. citizen only after Casey granted him "hip-pocket citizenship" in 1983.[672]

In May of 1984, the CIA began to investigate Hakim and Stanford for connections with Iranian terrorists. It sent a secret cable to the FBI stating, "This Agency has reason to believe that Hakim's company may be associated with Iranian terrorist-support activities being run out of

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[670]Secord and Hakim's business was described as "international security," and they were equal shareholders. Defendant Secord had met Hakim in 1976-7, when Secord was chief of the Air Force mission in Iran, and Hakim was doing business with the Iranian Air Force. Secord Congressional Testimony, supra, p. 47; Poindexter et al. Indictment, supra, paras. 11-2.

[671]Wheaton Deposition, p. 381.

[672]Wheaton Deposition, supra, p. 381; According to Wheaton, the CIA director has the authority to bypass the normal immigration process and grant citizenship to 100 non-citizens per year for "national security and intelligence purposes." Id.

official Iranian installations in Vienna and Barcelona." In March of 1986, the investigations were still underway and unresolved.[673]

Secord's Purchase of Arms

Secord's assignment was to buy weapons for the contras with the money from Saudi Arabia. Defendants Calero and Secord met in the summer of 1984 in a meeting arranged by North.[674] Secord told Calero that Secord could raise funds for the contras from foreign sources, specifically friends in the Middle East who might donate between $13 million and $25 million.[675]

In a second meeting, Defendant Secord brought along Defendant Quintero, whom Secord had met through Defendant Clines. They put together a renewed munitions

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[673]Emerson, Secret Warriors: Inside the Covert Military Operations of the Reagan Era, Putman, 1988 (hereafter "Emerson"), pp. 218-9.

[674]Secord Congressional Testimony, supra, p. 49.

[675]Calero Congressional Testimony, supra, pp. 18-9. Defendant Secord had been the deputy assistant secretary of Defense for the Middle East, Africa, and Southern Asia and had been instrumental in obtaining the sale of AWACS radar planes to the Saudi Arabians. Secord Congressional Testimony, supra, pp. 47-8. As part of that deal, the Saudis put millions of dollars into CIA bank accounts in Switzerland for the contras, the Afghan rebels and other groups. Kornbluh, supra, citing The San Antonio Light, July 27, 1986, and The New York Times, Feb. 4, 1987.

supply operation for the contras.[676] Defendant Calero gave Defendant Secord a list of arms which Secord gave to a Canadian arms dealer, Transworld Armaments, for pricing. The deal for arms was made in November of 1984 with the profit split among Secord, Hakim and the arms dealer.[677] Defendant Secord described his role in the operation as deciding how money would be spent, and Defendant Hakim as the one who implemented the decisions.

Transworld Armaments handled two transactions for Defendant Secord -- a small shipload of munitions from the Far East and a plane load of approximately 90,000 pounds of arms from Europe -- but later arms procurement was done by Defendant Clines.[678] Included in these shipments were rifles, bullets, hand grenades, mortars, C-4 explosives, fuses, detonators, and SA-7 missile launchers.[679]

Defendant Clines obtained arms from Eastern bloc and Western countries through Defex, a Portuguese arms dealer. In January of 1985, Richard Gadd was hired to make the arrangements for the airlift of arms from Portugal to Central America through Southern Air Transport. Gadd, a retired Air Force colonel who specialized in covert operations, had met Secord during the Iran hostage rescue attempt in 1980. Gadd had been part

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[676]Secord Congressional Testimony, supra, pp.49-50.

[677]Secord Congressional Testimony, supra, pp. 51-2.

[678]Secord Congressional Testimony, supra, p. 52.

[679]Secord Congressional Testimony, supra, Exhibit 2 ("FDN Expenditures and Outlays, July 1984 through February 1985").

of the ill-fated plan of the Department of Defense to establish a "black" operations covert supply operation and had attempted to bring Secord into that operation (see discussion, above). He had several companies: Sumarico, American National Management, Eagle Aviation Services and Technology and Airmach. He also rented office space in Virginia to Secord. Secord claimed to be a consultant to the White House and the Defense Department and, according to Gadd, backed up his claims with knowledge of Gadd's classified activities. Gadd arranged for a charter by Southern Air Transport (SAT), which paid him a commission in the name of East, Inc. Gadd handled five or six shipments, some of which SAT subcontracted to Arrow Air.[680]

On May 11, loaded with arms for the contras from Poland and Portugal and false end-user certificates from Guatemala, the ship Erria left Portugal, ostensibly for Guatemala. Three weeks later, it docked in Puerto Cortez, Honduras, where its cargo was unloaded by the contras.[681]

The information about the type of arms the contras needed came from Defendant Calero via Defendant Owen. In February of 1985, Owen went to Central America carrying a letter from Col. North for Calero. The letter indicated that Defendant Calero would soon receive a deposit of $20 million "in the usual account", and that Defendant Owen would then set up a resupply operation for the contra troops. Owen brought back to North from Calero a list of weapons Calero wanted for his FDN

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[680]Testimony of Richard B. Gadd, Joint Hearings on the Iran-Contra Investigation, May 1, 1987 (hereafter "Gadd Congressional Testimony"), pp. 5-8.

[681]Los Angeles Times, January 21, 1987.

troops with the understanding that North would find someone to supply the weapons.[682] During May of 1985, Defendants Secord and Clines arranged another arms transfer to the contras. This one came by boat.[683]

Defendant Quintero coordinated the delivery of weapons in Central America and was the liaison with the contras and local authorities.[684] Defendant Calero paid Energy Resources, a Panamanian company with a Vienna, Va. address which was purchased in 1978 by Defendant Hakim's Stanford Technology Corp., for the arms.[685] The profit on Defendant Clines' deals was divided between Defendants Clines, Hakim and Secord, and increased when Transworld was dropped in favor of Defex.[686] The Secord-Clines-Hakim-Quintero supply operation soon became the dominant procurer and supplier of arms to the contras.[687]

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[682]Owen Congressional Testimony, supra, pp.334-7 and 342 and Exhibits RWO-3 (undated letter from Oliver North ("Steelhammer") to Adolfo Calero) and RWO-6 (Owen's handwritten list of weapons). Owen's code name was "T.C." (The Courier). Id., p. 335.

[683]Iran-Contra Congressional Report, supra, p. 50.

[684]Newsweek, "The Secret Warriors Tell Their Story," February 9, 1987, pp. 26-8.

[685]Secord Congressional Testimony, supra, p. 54.

[686]Secord Congressional Testimony, supra, pp. 53-4. Defendant Quintero received $3,000 per month plus a bonus for each arrival for his work. Id., p. 54.

[687]Kornbluh, supra, p. 69.

The Singlaub-GeoMiliTech Arms Sale

In early 1984, Barbara Studley, a friend of Defendant Singlaub's, formed GeoMiliTech Consultants Corporation, a military armaments company. She asked Defendant Singlaub to be a consultant, along with General Gordon Sumner (ret.), General Robert Kingston (ret.), Edward Luttwak of the Georgetown Center for Strategic and International Studies, and Joe Churba, a director of the Center for International Security. Singlaub, who had been supplying military advisers to the government of El Salvador, initially referred the Salvadorans to GeoMiliTech to purchase weapons.[688]

In March of 1985, Defendant Singlaub traveled to FDN camps in Central America and met with Defendant Calero, FDN chief Enrique Bermudez and other FDN leaders to develop a list of small arms, ammunition and air defense and ground missiles needed by the contras. The list was reviewed with Col. North in April, and the air defense missiles were deleted. Defendants Singlaub, representing GeoMiliTech, and Defendant Calero subsequently met with an arms dealer.[689]

In a later meeting in Col. North's office at which Defendants Singlaub, Secord and Calero were present, it was agreed that Defendant Secord would supply the air defense missiles for $180,000 each and provide trainers for the contras, even though Defendant Singlaub had offered a price of $165,000.[690] In that meeting or a subsequent

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[688]Singlaub Deposition, supra, p. 45-9.

[689]Singlaub Congressional Testimony, supra, pp. 202-11 and Exhibit JKS-1 (Singlaub's list of weapons) and Exhibit JKS-2 (list with Defendant Calero's approval).

[690]Singlaub Congressional Testimony, supra, pp. 212-4.

one, Secord requested that the ship used to deliver the GMT arms to the contras be diverted to another country to pick up some he had purchased "that were hung up there."[691]

In June of 1985, Defendant Owen met with Defendant Singlaub and several people from the magazine Soldier of Fortune, including its publisher, Robert K. Brown, in Tabernash, Colorado to review the arms package. Defendant Owen then flew to San Francisco to meet with Defendant Calero to verify the precise quantities and types of weapons that Defendant Calero wanted. Defendant Calero's approval was then transmitted in code by Defendant Owen to Defendant Singlaub.[692]

Defendant Singlaub subsequently procured $5.3 million in Eastern-bloc arms which left for Central America on June 20, 1985, through GeoMiliTech.[693] Defendant Calero agreed to transfer funds to an account in Switzerland designated by the arms dealer.[694] The ship arrived in the designated port on July 8, 1985, and was consigned to a military official of that country. That official was represented by Defendant Mario Dell Amico, who met the ship.[695]

The Martin-McCoy-Dell Amico Arms Sale

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[691]Singlaub Congressional Testimony, supra, pp.215-6.

[692]Owen Congressional Testimony, supra, pp. 343-6.

[693]Singlaub Congressional Testimony, supra, pp. 168-9.

[694]Singlaub Congressional Testimony, supra, pp. 221-2 and 230.

[695]Singlaub Congressional Testimony, supra, pp. 223-4.

In 1984-5, Defendant Calero and the FDN also purchased about $2 million in arms through a network operated by Defendants Ronald Joseph Martin, James McCoy and Mario Dell Amico. Martin was associated with Gretch World and the Tamiami Gun Shops in Miami. McCoy was a former defense attache at the U.S. embassy in Managua when Somoza was overthrown in 1979, and knew Calero since about 1977. Dell Amico was their representative in Honduras.[696] On January 31, their Miami-based company, R.M. Equipment, filed two false end-user certificates with the Portuguese National Defense Industry requesting approval of weapons purchases. The certificates were from the Honduran Armed Forces Joint General Staff and were signed by Col. Julio Perez, who identified himself as "engineer, in charge of the C-4 Logistics Division." On May 16, R.M. Equipment filed two more false end-user certificates signed by Perez with Portuguese authorities, but this time they were addressed to a Portuguese import-export company named Atomex, whose owners were Joac Martins and Costa Corvo. These certificates were signed by Cesar Augusto Caceres Rojas, Guatemala's Army chief of staff who was paid $25,000 each for the certificates.[697] The arms were transported aboard the freighters Erria on May 11 and Peder Most in June to the Honduran port of Puerto Cortez from which they were transferred to contra bases.[698]

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[696]Calero Congressional Testimony, supra, pp. 29-31; New York Times, March 6, 1987.

[697]Emerson, supra, p. 221.

[698]Lisbon Expresso, February 7, 1987; UPI, February 7, 1987.

Fraudulent End User Certificates

Defendants Martin, McCoy and Dell Amico were not the only ones to use fraudulent end-user certificates. Because very few countries would allow the shipment of arms directly to an unrecognized guerilla force, the Enterprise often required fraudulent end user certificates. To conceal sales from the Portuguese government, Defendants Secord, Hakim, Clines and Calero conspired to obtained and did submit fraudulent end-user certificates representing over $8 million in sales for both the Transworld and the Defex deals to the Portuguese Arms Directorate. They requested the approval of the sale of various weapons to Guatemala.[699] Obtaining these fraudulent end user certificates required the efforts of Oliver North and Defendant Calero, who met in January of 1985 separately with the head of Guatemala and the U.S. ambassador to Guatemala. In early February, Defendant Secord also met with North concerning the certificates. By February 14, the fraudulent certificates were procured and provided to the government of Portugal to obtain the illegal release of arms for the contras. Shortly thereafter, 90,000 pounds of East European

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[699]Testimony of Robert C. McFarlane, Joint Hearings on Iran-Contra Investigation, May 11, 12 and 14, 1987 (hereafter "Mcfarlane Congressional Testimony"), Exhibit RCM-35 (memo dated March 5, 1985, from Col. North to McFarlane). North attached to this memo nine end user certificates for Energy Resources from Guatemala covering $8 million in arms shipments. Id. Earlier, Transworld Armaments of Canada had given the Portuguese three false end user certificates to cover contra arms which certified that the Guatemalan Army was the end user. Kornbluh, supra, citing CBS Evening News, Jan. 8, 1987.

munitions for the contras were sent to Guatemala.[700]

In return for "extraordinary assistance" in providing end user certificates, North recommended that Guatemala be granted additional "security assistance." Guatemala had already provided North with a "wish list" of armaments it wanted.[701]

Defendant Secord also attempted to use fraudulent end-user certificates for a purchase of Chinese weapons. By the end of 1984, he had located 30 ground-to-air missiles, launchers and related items for sale in China. However, the purchase, which was arranged through a Canadian arms dealer, was being blocked because of the country named as the end user. After being alerted by Defendant Secord of this difficulty, Oliver North and Gaston Sigur, a consultant to the NSC and former NSC director of Asia affairs, met with China's defense attache. They advised the attache of the contras as the real end user and promised that Defendant Calero would recognize China when the FDN had succeeded in overthrowing the Nicaraguan government. China eventually sold the missiles to the contras.[702]

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[700]Iran-Contra Congressional Report, supra, p. 43, citing North entries dated January 29, January 30 and February 5, 1985, in his notebook and RCM Exhibit 35, supra.

[701]Iran-Contra Congressional Report, supra, p. 46, citing Exhibit RCM 35, North memorandum to McFarlane, dated March 5, 1985, entitled "Aid to the Nicaraguan Resistance.")

[702]Iran-Contra Congressional Report, supra, p. 42, citing Exhibit RCM-32 (memorandum from Oliver North to Robert McFarlane, dated December 4, 1984, entitled "Assistance for the Nicaraguan Resistance").

In 1986, Felix Rodriguez was requested by Defendant Quintero to obtain a fraudulent end user certificate from an official in El Salvador for British blow-pipe missiles that the Enterprise hoped to obtain from another Latin American country. The certificate, which showed El Salvador as the end user, was made out to Lake Resources, another Hakim-Secord company in Panama. Rodriguez obtained the certificate from his "friends" and gave it to Defendant Secord, but the Enterprise was not able to obtain the missiles. Rodriguez requested the return of the certificate several times, but never received it. Rodriguez later described his concerns as follows: "I lied to those people, and they have proof. . . "[703]

Tabulation of Arms Purchases by the FDN

Congressional investigators traced a total of $33.6 million which passed through Calero's bank accounts. Of that amount, $32 million was received from Saudi Arabia; $200,000 was received from Lake Resources, a company controlled by Defendants Secord and Hakim; $1,045,000 from Intel Corporation, Carl Channell's Cayman Islands corporation (see discussion, below); $248,000 in interest; and $417,000 from unidentified sources. By January of 1987, all of it except $96,000 had been spent. Approximately $19 million had been spent on arms of which $2.1 million went to Gretch World/R & M Equipment (Defendants McCoy and Martin); $5.3 million to GeomiliTech (Defendant Singlaub); $11.4 million to Energy Resources (Defendants Secord and Hakim) and $432,545 for other arms purchases through Defendant Secord. Approximately $670,000 went to other contra groups, apparently including $10,000 a month that went

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[703]Rodriguez Congressional Testimony, supra, pp. 252-3 and p. 42-3 (May 28, 1987).

from Defendant Calero to Defendant Hull.[704]

Use of FDN Funds by North and Owen for Their Personal Benefit

Although the funds went directly to Defendant Calero's account for the benefit of the FDN, Defendant Calero provided Oliver North in excess of $90,000 in blank traveler's checks between February and August of 1985. Defendant Calero believed the money was to be used to support efforts to obtain the release of American citizens held hostage in Lebanon and for contra-related expenses.[705] On the first occasion, Defendant Calero gave North $15,000 or $25,000 drawn on a Cayman Islands bank, and there were four subsequent "gifts".[706]

Congressional investigators subsequently traced the use of a portion of the $90,000 in traveler's checks given to North as follows: $25,000 were cashed by agents of the Drug Enforcement Agency or their associates, presumably for the hostage release plan; $2,440 were cashed by North; $1,000 went to Defendant Owen as a wedding gift.[707]

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[704]Calero Congressional Testimony, supra, pp. 23-7 and 53-4 and Exhibits AC-1 and AC-2; Owen Congressional Testimony, supra, p. 409.

[705]North testified that he had anywhere from $150,000 to $175,000 in cash or traveler's checks in an "operational account" at all times. North Congressional Testimony, supra, July 8, 1987, p. 132.

[706]Calero Congressional Testimony, supra, p.48-50.

[707]Calero Congressional Testimony, supra, pp. 51-2 and 55-6 and Exhibit AC-6; Owen Congressional Testimony, supra, p.369.

However, the special prosecutor named to investigate the Iran-contra affair alleged that approximately $4,300 was used for North's personal benefit, a crime for which he was indicted.[708]

North also used other blank traveler's checks and the approximately $75,000 he obtained in cash from Defendant Secord for other purposes, including payment of other contra leaders. In the spring of 1985, Defendant Owen began making cash payments of thousands of dollars to "somewhere between six and 10" contra leaders.[709] He and Jonathan Miller, a State Department employee, received traveler's checks from North, cashed them and turned the dollars over to the designated contra leaders, including Brooklyn Rivera, a Miskito Indian leader who was negotiating at the time with the Nicaraguan government. Rivera was promised additional funds and help in uniting the Indian contra movement if he walked out of those negotiations.[710] In April, Defendant Owen obtained traveler's checks from North to pay another Miskito Indian leader who was visiting in Washington at the time.[711] Peter Flaherty, a conservative Republican attempting to raise funds for the contras, was present during the April transfer of funds.[712] Arturo Cruz Sr., one of the UNO

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[708]Poindexter et al. Indictments, supra, Count 22, p. 89.

[709]Owen Congressional Testimony, supra, p. 348.

[710]Owen Congressional Testimony, supra, pp. 337-41. Owen made a trip to Central America on March 20-24, 1985, to pay the Miskito leader. Id., p. 341.

[711]Owen Congressional Testimony, supra, p. 341-2.

[712]Owen Congressional Testimony, pp. 342-2 and 348.

leaders, was also paid out of the account. North kept a ledger reporting the use of the money, but testified that he destroyed it at the direction of CIA Director Casey. Defendant Owen was frequently the courier used to obtain and take the funds to the other contra leaders.[713]

Avoiding Bank Transaction Reporting Laws

On September 16, 1985, Defendant Owen was asked to go to New York by Defendant Secord, who was using the name "Mr. Copp," and meet with someone. In New York, Owen met the man in Chinatown, who delivered a "wad" of $9,500 in $100 bills to Owen. Owen then returned to Washington, D.C., and delivered the cash to Defendant Secord. Defendant Secord told Defendant Owen that the amount selected was under $10,000 so the transaction would not have to be reported to by the bank supplying the funds. Defendant Owen made two additional trips to New York to pick up cash for Defendant Secord, but delivered the funds to North, instead of Secord.[714]

Use of U.S. Banks to Transmit Funds to the FDN

At least $1.8 million of the lethal aid funds raised for the contras passed through the United States bank account of Aquilles Marin, a money broker who then converted the funds into local currency to deliver to the FDN forces. Another $1.8 million was handled in the same manner by Eric Lacayo.[715]

The Enterprise Takes Direct Control of FDN Funds

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[713]Iran-Contra Congressional Report, supra, pp. 46-7.

[714]Owen Congressional Testimony, supra, pp. 353-5.

[715]Calero Congressional Testimony, supra, pp. 36-7.

In early July of 1985, North held a meeting in Miami at which Defendants Calero, Secord, Clines and Quintero and Enrique Bermudez, the FDN military commander, were present. North expressed his concern that the FDN was squandering the funds that had been donated to it. As a result, the Enterprise took away control of the funds from the FDN and decided to furnish supplies directly to the contras in the field. Immediately after the meeting, Defendant Hakim set up the Lake Resource bank account in Switzerland. All subsequent donated funds went to Lake Resources and were under the direct control of the Enterprise.[716]

North called the revised operation Project Democracy. Its task was to expand their fledgling supply operation from simply delivering arms to the Ilopango and Aguacate bases in El Salvador and Honduras, respectively, to directly supplying the contras fighting near or inside Nicaragua. Secord asked Gadd to develop the necessary logistical organization consisting of aircraft, spare parts, maintenance, communications and trained personnel. Defendant Quintero selected Ilopango as the home base for the aircraft.[717] Felix Rodriguez, a veteran CIA operative with close ties to the Enterprise who had been working with both the contra supply operation and the Salvadoran Air Force, obtained service space at Ilopango, in part by using North's name.[718] North immediately asked the new U.S. ambassador to Costa Rica, Lewis Tambs, to help open the southern front and to obtain a

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[716]Iran-Contra Congressional Report, supra, pp. 51 and 60.

[717]Iran-Contra Congressional Report, supra, p. 61.

[718]Iran-Contra Congressional Report, supra, p. 62.

supply depot for the contras in Costa Rica.[719]

Defendant Secord told Gadd that Gadd would be able to profit from the air supply operation, but asked him to keep the operation secret to protect the White House and Secord.[720] Gadd hired Edward DeGaray for the operation to protect the identity of Defendant Secord and the government. DeGaray was president of Corporate Air Services, an air charter company.[721] Gadd also contacted William Langton, president of Southern Air, and asked him to acquire Amalgamated Consolidated Enterprises, a Panamanian shell company, that would be used to hold title to the aircraft. Southern Air and Gadd divided ownership of Amalgamated.[722]

Defendant Secord and Gadd agreed that the C-123 was the best plane for the operation and sought to buy three C-123s from the Venezuelan Air Force. When Venezuela refused to sell the airplanes without U.S. government approval North, Assistant Secretary of State for Inter-American Affairs Elliott Abrams and Vince Cannistraro, a former CIA agent then at the NSC, intervened to assure Venezuela that it was appropriate to sell the planes to Amalgamated Commercial Enterprises.[723] In a letter signed by Langton of Southern Air, the Enterprise falsely

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[719]Iran-Contra Congressional Report, supra, p. 61-2.

[720]Gadd Congressional Testimony, supra, pp. 12-4.

[721]The Chronology, supra, p. 503.

[722]Gadd Congressional Testimony, supra, pp. 14-9 and Exhibit RBG-2.

[723]Secord Congressional Testimony, supra, pp. 60-63; North Congressional Testimony, supra, July 14, 1987, p. 94.

represented to Venezuela that the planes would be used for a "U.S. Government [sic] sponsored relief airlift in Central America."[724] Nevertheless, Venezuela still refused to sell the planes.[725] With funds donated to the FDN, the Enterprise eventually obtained two C-7 Caribous,[726] two C-123s[727] and several Maule airplanes which had the ability to take off and land in as little as 125 feet.[728] At least one of the planes was purchased through CSF Investment Ltd., a subsidiary of Compagnie de Services Fiduciaries,

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[724]Gadd Congressional Testimony, supra, Exhibit, Letter from William Langton to General Victor A. Arriaga Ascanio, dated November 13, 1985.

[725]Iran-Contra Congressional Report, supra, p. 62-3.

[726]In January of 1986, Southern Air Transport purchased a C-7 Caribou for the humanitarian and military resupply operation. The title to the plane was held by the Defendant Secord's Udall Corporation. Plans for its use were discussed by Defendants Secord and Clines, Gadd and North at a meeting in a McLean, Va., restaurant. Gadd Deposition, supra, pp. 26-9.

[727] On March 28, 1986, a cashier's check for $475,000 signed by Udall Research Corporation is made payable to Harry Doan of Doan Helicopter for a C-123K is drawn from account number 47363801 at the Sun Bank in Daytona Beach, Florida. Chronology, supra, p. 321-2.

[728]Secord Congressional Testimony, supra, Exhibit 4. In 1986, the U.S. Customs Service was determining whether the Maules should be classified as "instruments of war" and require approval by the State Department for export. "Air Contra," Newsweek, November 17, 1986.

one of Defendant Hakim's companies.[729] Gadd recruited flight crews, and made arrangements with Southern Air Transport that it would do all aircraft maintenance.[730]

Day-to-day supervision of the operation fell to Robert Dutton, an associate of Secord's, who was hired in May of 1986.[731] Some of the pilots, mechanics and "kickers", such as Eugene Hasenfus,[732] working out of Ilopango Air Force base in El Salvador or Aguacate were ostensibly hired by Corporate Air Services, although their expense money came from Southern Air Transport with receipts returned to Dutton. From April to October of 1986, at least 25 missions were flown into Nicaragua to deliver arms to the contras.[733]

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[729]Transcript, CBS Evening News, July 14, 1986. The day after the interview with Maule Air, the company received a telephone call from someone they refused to identify warning it that it could be forced out of business if it did not retract everything told to CBS News. Id.

[730]Iran-Contra Congressional Report, supra, p. 65.

[731]Secord Congressional Testimony, supra, pp. 63-4.

[732]Both Hasenfus and William Cooper flew missions for the CIA-owned Air America during the Vietnam War. Parry and Barger,
"Reagan's Shadow CIA," New Republic, November 24, 1986.

[733]These pilots included Bill Cooper and Buz Sawyer, who died in Nicaragua on Oct. 5, 1986, when their plane was shot down; John McRainey; Frank Hines; Jerry Stemwedel; Jake Wherell; John Piowaty; Elmo Baker; and David Johnson (identify). Their contact at CAS was Ed de

John F. Piowaty, one of the pilots operating from Aguacate, indicated that he was recruited by Amalgamated Commercial Enterprises, commonly known as "Contra Air." According to Piowaty and Soldier of Fortune magazine, William J. Cooper, a former Air America pilot, was the Central American ground commander for ACE. The chain of command went from Cooper to Robert Dutton, Richard Gadd and finally to Richard Secord. Piowaty described the airplanes as "two worn-out C-123Ks, two ancient and nearly worn-out C-7A Caribous and an inappropriate single-engine Maule" which came with "such necessities" as reliable radar and navigation systems. Piowaty said that Dutton denied the crews parachutes because they were "too expensive."[734]

Flight crew members, who thought they were working for some part of the U.S. government, signed official-looking secrecy agreements in which they acknowledged that they could be prosecuted if they disclosed "classified information."[735] When Congressional investigators began

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Garay. "The Secret Warriors Tell Their Story," Newsweek, February 9, 1987, pp. 26-28.

[734]Piowaty, John, "Contra Air: Secord's Central American Flying Circus," Soldier of Fortune, October 1987.

[735]"Closing In On Meese," Village Voice, April 21, 1987. The Voice obtained a copy of the agreement signed by William Cooper. It read as follows:

> I acknowledge that by virtue of my duties in conjunction with CAS, Ltd. [Corporate Air Services], I have been exposed to or are the recipient of classified information . . . I am aware that the unauthorized disclosure of classified

to talk to the crews, Ian Crawford, a crew member, was told by Gadd that the military would cancel its contracts with Crawford's parachute rigging company if he talked, and that Crawford could be prosecuted for gunrunning. Other flight crew members said they were intimidated by Gadd and Defendant Secord.[736]

Intensifying the Supply Operation for the Southern Front

At the same meeting, Defendant Secord also agreed to put together an airlift operation to directly increase the supply of weapons and explosives to the southern front contras and expand their operation. The plan was to use Ilopango to store arms until their delivery to Costa Rica and Nicaragua. To do so effectively, the Enterprise needed a large airfield in Costa Rica for refueling and other purposes.

The airfield would also serve another purpose. North had already developed a plan for training contras in Panama for a large-scale invasion of Nicaragua and the capture of the southern Nicaraguan border town of Rivas in early 1986. For this operation to succeed, a very large airfield in Costa Rica for ferrying in men and supplies was also essential.[737]

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information is prohibited by the espionage laws (18 U.S.C. Sections 783, 791, and 798) and prosecution by the U.S. government could result.

Id.

[736]"Closing In On Meese," Village Voice, April 21, 1987.

[737]Deposition of Jose Blandon, February 25, 1988 (hereafter "Blandon Deposition"), pp. 27-8 and 77-80.

Construction of the Point West Airstrip

In July of 1985, Lewis Tambs, the new U.S. ambassador to Costa Rica, conspired with North, Alan Fiers and Elliott Abrams to open up the southern front. Tambs' understanding was that he was to encourage the contras in Costa Rica to move "deep inside" Nicaragua.[738] North also asked Tambs to persuade the Costa Rican government to allow the construction of an airstrip for use by the contras. Tambs stated that he was told the airstrip would be built by private parties. Tambs said Costa Rica approved the strip for refueling purposes and also to be used by the U.S. Southern Command if there was an invasion of Costa Rica by Nicaragua.[739] Other sources indicated that Costa Rica approved the airstrip only for refueling purposes.[740]

In late August of 1985, Defendant Owen traveled to Costa Rica to evaluate a location chosen by North for an airfield that Owen understood could be used as a drop for lethal and non-lethal aid, a staging point for sending both men and supplies into Nicaragua, and as an emergency landing strip if a contra plane was shot down in Nicaragua. He met with Joe Fernandez (a/k/a Tomas Castillo),CIA[741] and Costa Rican officials, and then he and Fernandez visited the site at Santa Elena on the western coast of

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[738]Tambs Congressional Testimony, supra, p. 132.

[739]Tambs Congressional Testimony, supra, pp. 149-51.

[740]"An Ex-Ambassador Says U.S. Ordered Aid for Contras," New York Times, May 3, 1987.

[741]Owen Congressional Testimony, supra, p. 378. See, also, Castillo Congressional Testimony, supra, pp.38-9.

Costa Rica.[742] Owen, Castillo and Jose Ramon Montero Quesada, a colonel in the Costa Rican Rural Guard, walked around the site, and Owen took photographs to take back to North.[743]

In a memorandum reporting the results of his trip to North, Owen said that the cover for this operation was a Panamanian company, "owned by a few 'crazy' gringos, wanting to lease the land for agricultural experimentation and for running cattle," was in the process of being formed.[744] The strip itself would be designated a military zone and guarded by Montero, who managed the property. He was assisted by a Civil Guard colonel, Edwin Viales Rodriguez, who was subsequently indicted in the U.S>, along with the Panamanian pilot Floyd Carlton Caceres, for drug trafficking. In Costa Rica, Viales was charged with protecting flights of cocaine from Colombia which landed in Guanacaste, the province where the Enterprise's

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[742]Owen Deposition, supra, p. 206. The site selected was on the property of Joseph Hamilton, an American from New York, at Santa Elena Peninsula (Point West). Castillo Congressional Testimony, supra, p. 42-3; Iran-Contra Congressional Report, supra, p. 61-2.

[743]Castillo Congressional Testimony, supra, pp. 40-2.

[744]Owen contacted a law firm to investigate setting up cover corporations. In February of 1986, he asked North to cover fees of $532.37 for that legal research. Owen Congressional Testimony, supra, Exhibit RWO-11 (memo dated February 10, 1986, from "TC" [Owen] to "BG" [North].

airstrip was located.[745]

Udall Research Corporation was set up by Defendants Secord and Hakim as the "cover" for the airfield.[746] Ten days after Defendant Owen's return, "Robert Olmsted", who worked for Defendant Hakim and Udall, surveyed and photographed the area and negotiated for the purchase or lease of the property from its owner, Joseph Hamilton, by Udall.[747] Olmsted was actually William Haskell, a former Marine colleague of North's.[748] North alerted Joe Fernandez of Olmsted's mission.[749]

In October of 1985, Richard Gadd, Defendant Secord's associate, attended a meeting with Defendants Secord and Hakim, Olmsted and North at which Gadd was asked to

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[745]"Implicated in Drug Trafficking," La Nacion, December 12, 1986; Owen Congressional Testimony, supra, pp. 349-51 and Exhibit RWO-9 (memo to "BG" (Oliver North) from "TC" (Owen); Secord Testimony, supra, p. 62.

[746]Owen Congressional Testimony, supra, pp. 349-51 and Exhibit RWO-9 (memo to "BG" (Oliver North) from"TC" (Owen); Secord Testimony, supra, p. 62.

[747]Secord maintained it was purchased and tried to sell the asset to the CIA in 1986. Hamilton, however, believed that it was leased.

[748]Iran-Contra Congressional Report, supra, p. 62.

[749]Deposition of Tomas Castillo, Joint Hearings on the Iran-Contra Investigation, pp. 42-44; Gadd Deposition, supra, p. 20. Lewis Tambs, U.S. ambassador to Costa Rica during the construction of the airfield, also met "one-eyed Jack" Olmstead and thought he was the lawyer for Udall Corp. Tambs Congressional Testimony, supra, p. 156.

construct the airfield. Defendant Secord told Gadd that Secord would arrange for the payment for the work.[750] EAST, Inc., one of Gadd's subsidiaries, supervised construction of the airstrip, which continued through March of 1986, and Defendant Secord made at least one trip to Costa Rica to discuss the airstrip.[751] The on-site supervisor was Defendant Quintero, who had earlier negotiated with the local military officials of a third country for basing the airlift operation.[752]

To ensure Civil Guard control of the airstrip, North arranged for Benjamin Piza Carranza, the Costa Rican minister of public security, to meet with President Reagan in March 1986. Piza is a founding member of the rightist Free Costa Rica Movement from which the Costa Rican chapter of the World Anti-Communist League is drawn.[753] After the meeting, Piza then dictated a letter putting the Civil Guard in charge of the airstrip.[754]

The costs for the resupply part of the project were

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[750]EAST, Inc., sent invoices to Lake Resources, Defendant Secord's company, from January 23, 1986, through December 5, 1986. Gadd Deposition, supra, p.22 and Exhibit RBG-3.

[751]Gadd Deposition, supra, p. 21. East was an alias used by Gadd. Owen Congressional Testimony, Exhibit RWO-12; Castillo Congressional Testimony, supra, pp. 94-6.

[752]Castillo Deposition, supra, pp. 44-46; Secord Congressional Testimony, supra, p. 36-7; local hotel records.

[753]Anderson and Anderson, supra, p. 247.

[754]Iran-Contra Congressional Report, supra, pp. 65-6.

presented to North. They included the salaries of two pilots, a mechanic, a loadmaster/packer/rigger and other staff and goods connected directly with the contra resupply effort. Defendant Quintero was to manage the airstrip.[755] Despite the claimed expenditure of over $1 million,[756] the Point West airstrip was never fully utilized.[757] Felix Rodriguez, who had been a pilot in the Vietnam war and had years of helicopter experience, testified before Congress that a dirt airstrip was not "proper for that kind of operation."[758] Nonetheless, North used the invasion plan as part of his presentation to private donors to obtain funds for the Enterprise. William O'Boyle, a wealthy New Yorker, was told by North in 1986 of a highly secret plan for the contras to seize a part of Nicaragua in order to establish a provisional capital and government. The U.S. would then respond with a naval blockade so that the Nicaraguan government would fall.[759]

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[755]Owen Deposition, supra, p. 210.

[756]Secord Congressional Testimony, supra, Exhibit 4, p. 439. The cost included $190,000 paid to local contractors and guards so that the airfield could be built. Iran-Contra Congressional Report, supra, p. 62.

[757]Secord tried to sell the airfield to the CIA in 1986. He claimed the land cost was approximately $500,000. Secord Congressional Testimony, supra, Exhibit 4, p. 447. Castillo alleged that Secord had paid $50,000 for the land. Castillo Congressional Testimony, supra, p. 44.

[758]Rodriguez Congressional Testimony, supra, p. 92-3 (May 28, 1987).

[759]O'Boyle Congressional Testimony, supra, p. 138-9.

However, the Enterprise was able to make nine successful flights to the southern front contras between April and September of 1986.[760] The defendants carefully supervised the operation. In April of 1986, Gadd was told by Defendant Secord and North to provide an air drop of munitions and supplies to FDN troops on the southern front. Southern Air Transport arranged the drop, which took place on April 11.[761] Later in April, Defendant Secord, Gadd and North met with UNO and FDN leaders in El Salvador to discuss logistical support and see the living conditions of the crews. Defendant Quintero and some crew members traveled with them. On the return flight, three crew members, including Ian Crawford, returned with Secord, Gadd and North.[762]

This venture of the resupply operation also utilized personnel and equipment with drug trafficking connection. In February of 1986, Owen told North that one of the Summit Air planes contracted for was formerly used for drugrunning, and that the crew had criminal records.[763]

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[760]The flights were in April (1); May-July (2); and September (6). Castillo Congressional Testimony, supra, pp. 64-5.

[761]Gadd Deposition, supra, pp. 33-5; Castillo Congressional Testimony, supra, pp. 57-60. Aircraft delivered 20,000 pounds of lethal material, and drop information was provided by KL-43 from Castillo to Defendant Quintero. Id., p. 61 and Exhibit TC-6 (KL-43 message from Col. North to Castillo).

[762]Gadd Deposition, supra, pp. 44-5.

[763]Owen Congressional Testimony, supra, Exhibit RWO-11 (memo dated February 10, 1986, from Owen ("TC") to

In May of 1986, the Costa Rican Civil Guard was ordered by the Costa Rican government to close down the airstrip. However, by August, there were rumors in the area that large, camouflaged planes and 400 contras were still based there. In September, President Arias closed the airstrip down again.[764]

Defrauding the U.S. Government: Illegal Use of Tax-exempt Funds by the Enterprise

In 1985, a network of private, tax-exempt foundations and organizations formed by Carl R. ("Spitz") Channell began to raise money for the military support of the contras. Channell's principal organization, the tax-exempt National Endowment for the Preservation of Liberty (NEPL), used White House briefings and private meetings with the President Reagan to convince donors to contribute more than $10 million to the contras by the end of 1986. Approximately $1.7 million was laundered for the Enterprise through various domestic and foreign companies. Another $1 million went to Defendant Calero's accounts, and another $500,000 went to other persons and groups.[765] Most of those funds were ultimately used to purchase military equipment or to otherwise benefit members of the Enterprise.

Channell, who had been a fundraiser for the National Conservative Political Action Committee (NCPAC), incorporated NEPL in 1984. In its application for tax-exempt status under Section 501(c)(3), NEPL asserted that it was formed "to educate members of the general public

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North ("BG").

[764]Iran-Contra Congressional Report, supra, p. 76.

[765]Iran-Contra Congressional Report, supra, p. 85.

on American political systems and societal institutions" through the study of the development of American political systems. On December 12, 1984, NEPL was granted its tax-exempt status.

Working with Channell was Richard R. Miller, a former employee of the Agency for International Development, who ran a company called International Business Communications (IBC). In February of 1984, Miller began working with Frank Gomez who had a non-competitive contract from the State Department to assist its newly-formed Office of Public Diplomacy. The General Accounting Office later charged that this office engaged in "prohibited, covert propaganda activities designed to influence the media and the public to support the Administration's Latin American policies."[766] IBC also represented the Nicaraguan Development Council, one of Defendant Calero's organizations. A White House aide referred to IBC as the "White House outside the White House" on contra issues.[767]

To implement his plan to use NEPL to raise funds for the contras, Channell first obtained a letter from Defendant Calero in April of 1985 authorizing the solicitations. From the very beginning, the solicitations were for military assistance to the contras. Channell and Miller worked out a standard fund-raising process with North. North would give a presentation --including the

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[766]Iran-Contra Congressional Report, supra, Appendix G. IBC received approximately $440,000 from the State Department during a two-year period. The State Department's inspector general subsequently concluded that the continuing, sole-source contracts were of minimal utility. Id., p. 87.

[767]Iran-Contra Congressional Report, supra, pp. 87-8.

provision of munitions lists -- in the old Executive Office Building to potential donors, who would then be taken across the street to the Hay-Adams Hotel for lunch and asked for money. For large contributors, there were private briefings with special big-ticket lists which included airplanes, explosives and large quantities of weapons. Occasionally, Defendant Calero would participate in the solicitations.[768]

Under the direction of North, Miller and Gomez set up I.C., Inc., in the Cayman Islands as a conduit through which funds contributed to the tax-exempt NEPL could be transferred to the contras.[769] The funds went from NEPL through IBC to be laundered by I.C. for disbursal and use by the Enterprise.[770]

On March 31, 1986, the day the Congressional authorization of humanitarian aid for the contras expired, IBC received checks for $500,000 and $225,000 from NEPL. On April 3, North reminded himself to tell Secord to send "650K to LAKE."[771] On April 11, IBC transferred $650,000 to the Lake Resources bank account in Switzerland, and Defendant Secord noted its receipt.[772]

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[768]Garwood Congressional Testimony, supra, p. 71; Iran-Contra Congressional Report, supra, pp. 90-6.

[769]In May of 1986, I.C.'s name was changed to Intel Co-Operations, Inc. Iran-Contra Congressional Report, supra, p. 91.

[770]Iran-Contra Congressional Report, supra, p. 101.

[771]Tower Commission Report, supra.

[772]Chronology, supra, p. 458, citing NEPL Bank Statement of March 31, 1986 and Washington Post, March 7, 1987.

Big contributors to NEPL included Nelson Bunker Hunt ($484,500); Barbara Newington ($2,866,025); William O'Boyle ($160,000); and Ellen Garwood ($2,518,135). Most of these donors received tax deductions for funds to purchase military supplies. When O'Boyle expressed concern about the legality of the deduction, Channell assured him that the money would not be traced.[773] The Heritage Foundation gave another Miller organization a $100,000 grant which also went to I.C. A donation from Adolph Coors of $65,000 for a Maule airplane went directly to the Enterprise's Lake Resources' account in Switzerland to be laundered and then used for the purchase of the airplane from the U.S.-based Maule Air, Inc.[774] North agreed that Miller and Gomez should collect 10 percent of the money they were raising, because other people providing assistance were taking "20% to 30%." This commission went to a second Cayman Island corporation, World Affairs Counselors, Inc.[775]

The Congressional committees investigating the Iran-Contra affair traced $430,000 of the donated funds to the Enterprise's Lake Resources account, and $1,030,000 to Defendant Calero's off-shore accounts.[776] Large amounts of money also went to rent expensive offices, pay extremely high salaries to Channell, Miller and others, and

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[773]O'Boyle Congressional Testimony, supra, p. 83.

[774]Testimony of Joseph Coors before the Joint Committees, May 21, 1987 (hereafter "Coors Congressional Testimony"), pp. 51-2 and 100.

[775]Iran-Contra Congressional Report, supra, pp. 95-101.

[776]Iran-Contra Congressional Report, supra, p. 101.

lease limousines. Many of these expenditures were "approved" by North.[777] On April 29, 1987, Channell pled guilty to defrauding the Internal Revenue Service and depriving the Treasury of revenue to which it was entitled by soliciting contributions to purchase military and other types of non-humanitarian aid for the contras. Miller pled guilty to a similar charge on May 6, 1987.[778] North was subsequently indicted for conspiring to defraud the United States, the Department of Treasury and the Internal Revenue Service.[779]

Illegal Uses of Humanitarian Aid

In January of 1985, Defendant Calero gave Defendant Owen the funds to establish the Institute for Democracy, Education and Assistance ("IDEA"), a tax-exempt organization, and the Council for Democracy, Education and Assistance, a lobbying organization. Its offices were in Owen's home,[780] and it was used by the Enterprise to further its illegal activities.

In August of 1985, Congress approved $27 million in humanitarian aid for the contras to be administered by the State Department. In October, Defendant Calero and Owen conspired to obtain government funds to pay for Owen's work for the Enterprise. Calero signed a letter drafted by Owen which was addressed to Robert

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[777]Iran-Contra Congressional Report, supra, p. 98.

[778]Iran-Contra Congressional Report, supra, p. 100; Information in U.S. v. Carl R. Channell, U.S. District Court for the District of Columbia, April 29, 1987.

[779]Poindexter et al. Indictment, supra, Count 23.

[780]Owen Congressional Testimony, supra, pp. 432-3.

Duemling, the head of the State Department's fledgling Nicaraguan Humanitarian Assistance Office (NHAO). Calero recommended that IDEA, of which Owen was the founder, president and only employee,[781] be given a monthly "donation" of $4,850 for the "full-time services of Mr. Owen, plus the cost of personal insurance, FICA [Social Security] and other reasonable costs" to coordinate procurement, transportation and distribution of goods and services. Defendant Calero admitted to Congress that the request was made by Owen because Owen wanted to "continue to work in this endeavor," but needed something to live on.[782]

Despite this recommendation and an earlier one from Oliver North, Duemling refused to hire Owen until additional pressure was placed on him by North.[783] In November of 1985, Defendant Owen left the FDN payroll and went to work for NHAO. IDEA's contract with NHAO authorized him to assist the United Nicaraguan Opposition (UNO) in preparing proposals to and administering grants from NHAO to UNO. In that position, he was prohibited from performing "any service which is related to the acquisition, transportation, repair, storage or use of weapons, weapons systems, ammunition

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[781]Owen Congressional Testimony, supra, p.355. Owen testified that he set up IDEA in January of 1985 at the same time he set up a 501(c)(4) lobbying organization called the Council for Democracy, Education and Assistance. Id. IDEA's only receipts were the funds from the State Department. Id. at 418.

[782]Calero Congressional Testimony, supra, p. 143-5 and Exhibit AC-5.

[783]Iran-Contra Congressional Report, supra, p. 63.

or other equipment, vehicles or material which can be used to inflict serious bodily harm or death" during the five-month term of the grant.[784]

Despite this provision and in furtherance of the Enterprise, Defendant Owen used his position to continue his activities to illegally supply the contras with arms and other military assistance.[785] After each trip to Central America -- which were now paid for by NHAO funds -- he would file two reports: one to NHAO concerning humanitarian aid; and a second to North detailing his activities in coordinating lethal aid.[786] He mixed the delivery of humanitarian with lethal aid to benefit the corporations of the Enterprise.

In December of 1986, the General Accounting Office issued a report on the disbursement of $26.8 million in humanitarian aid. It determined that NHAO could not verify most of the receipts for the purchases of goods provided to it by Owen and Defendant Calero. NHAO itself had determined that $80,000 of the disbursements

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[784]Owen Congressional Testimony, supra, Exhibit RWO-17 (letter dated Nov. 6, 1985, from Robert W. Duemling to Owen). The grant was subsequently extended until June 15, 1986. Id.

[785]Defendant Owen stated during the Congressional hearings concerning his trips to Central America during his employment for NHAO, "[e]very time that I did something for Colonel North I was going down there anyway." Owen Congressional Testimony, supra, p. 397.

[786]Iran-Contra Congressional Report, supra, p. 63; see, e.g., Owen Congressional Testimony, supra, Exhibit RWO-11 (Memorandum from "TC" [Owen] to "BG" [North], dated February 10, 1986).

were based on false receipts, and that some of the funds had been used to purchase ammunition and grenades. Approximately $6 million was placed in the bank accounts of "brokers" in the United States for use by Central American suppliers. The "brokers" were able to obtain increases of the principal of up to 31 percent in currency transactions. NHAO officials stated -- but could not verify -- that the United Nicaraguan Opposition received the excess funds.[787]

The GAO investigators turned up countless illegible signatures for receipt of cash, or illegible receipts for other supposed purchases. One supplier simply called "Supermercado" [Supermarket] received over $1 million with records in which the payee, endorser and location were all illegible.

Defendant Owen and NHAO could not trace the funds paid to the broker accounts, and GAO was able to identify payment of only a small amount of funds to specific regional suppliers. In one country, payments had been made to the armed forces of another country.[788] Brokers and other suppliers were often chosen because of their relationship with the Enterprise, even when they were suspected drug traffickers.

One of the brokers selected by Defendants Hull and Owen -- on the grounds that it had "helped" the contras -- was Ocean Hunter, the Miami shrimp importing company

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[787]United States General Accounting Office, "Central America: Problems in Controlling Funds for the Nicaraguan Democratic Resistance," December 1986 (hereafter "GAO NHAO Report").

[788]GAO NHAO Report.

of Defendant Chanes.[789] Its contract was to provide assistance to the Kisan-South Miskito Indian contra organization. Ocean Hunter and its Costa Rican supplier, Frigorificos de Puntarenas, run by Defendant Nunez and ostensibly a shrimp exporting company, were both suspected of drug dealing and providing military assistance to the contras.

In actuality, Frigorificos de Puntarenas was a front used by Defendants Chanes, Nunez Escobar and Ochoa and the Medellin drug cartel to provide funds for the contras. Ramon Milian Rodriguez, a Cuban-American accountant in charge of money laundering for the cartel, testified before a Senate Foreign Relations subcommittee, that he set up "interlocking chains of companies" around Frigorificos to accomplish this purpose.[790] Felix Rodriguez, another Bay of Pigs veteran who was a key player in the resupply network, would contact Milian Rodriguez and tell him where to put the money.[791]

Ocean Hunter was also a small money launderer for Milian-Rodriguez. Its other partner was Luis Rodriguez, a partner of Milian-Rodriguez in two Panamanian companies called Ahoremusa Holdings S.A. and Akaba Investments S.A. Luis Rodriguez has been described by Customs sources as a major cocaine trafficker. According to Milian-Rodriguez, it moved about $5 million a year and was also a cocaine trafficker. In late 1983, a freighter owned by Ocean Hunter had been used to ferry cocaine

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[789]Owen Deposition, supra, p. 349.

[790]Milian Rodriguez Testimony, supra.

[791]"Drug Money Alleged to Go to Contras," Washington Post, February 12, 1988, citing earlier news interviews with Milian Rodriguez.

from Limon, Costa Rica, to Miami.[792] Jesus Garcia stated that he had seen three kilos of cocaine at Chanes' house in March of 1985 while picking up arms for a shipment to the contras.[793] Although the Drug Enforcement Agency indicated an unusual lack of interest in Ocean Hunter, despite the fact that its agents knew it was trafficking in cocaine, in 1987, the Customs Service finally began a full-scale investigation.[794]

It is unclear as to what humanitarian supplies -- if any -- these two shrimp companies provided to the contras with the funds provided to them. However, some of the $231,587 turned over to Ocean Hunter between January and May of 1986 turned up in the Israel Discount Bank and Korean Exchange Bank at the same time those countries were supplying arms to the contras.[795]

Defendant Owen was the NHAO overseer for Ocean Hunter and Frigorificos and was in close touch with both Defendants Chanes and Nunez. Owen was warned sometime in 1986 by an intelligence agent about using Ocean Hunter because of its alleged drug trafficking connection, but continued its contract.[796] In his

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[792]Cockburn, supra, p. 166.

[793]Cockburn, supra, pp. 156-7. Shrimp boats are particularly well-suited for drug smuggling because the shrimp are frozen and sealed in containers and will spoil if the containers are opened. If nothing is found, the inspectors may be liable for damages. Id.

[794]Cockburn, supra, pp. 165-7.

[795]Cockburn, supra, p. 160.

[796]Owen Deposition, supra, p. 347.

deposition, Owen said he thought the companies had been checked out by the FBI, but Robert Duemling, NHAO's head, said they have never been checked with the FBI or DEA. An attempt to investigate Frigorificos in Costa Rica was headed off by then-Ambassador Tambs.[797]

In order to cover the illegal and improper uses it made of the humanitarian aid funds, the Enterprise falsified receipts from Kisan-South. Defendant Owen was aware of the false receipts provided to NHAO.[798] and not only took no steps to stop it, but also participated in the diversion scheme. In 1987, a clerk from Creaciones Fancy, a San Jose clothing store, identified Defendant Owen as the "gringo" who came into her discount store to obtain a false receipt for $25,870. Jenelee Hodgson, a Miskito leader, stated that Defendants Owen and Vidal told her of the false receipt. Military supplies were purchased with the money. Owen and Vidal also claimed to be using the $231,000 designated for Kisan-South, Hodgson's group, for uniforms for 1,000 combatants, although it never had more than 50. The arms and supplies went to Pastora's commanders to entice them to leave Pastora. Cash gifts of up to $5,000 also went to the commanders who left Pastora in 1986.[799]

The NHAO employee sent to investigate the alleged misuse of government funds forced Hodgson and Franklin Reed, another Kisan-South official, to sign affidavits that

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[797]Cockburn, supra, p. 162. .

[798]Owen Congressional Testimony, supra, pp. 380-2; RWO-13 (Memorandum from "TC" [Owen] to "BG" [North]. dated March 17, 1986).

[799]"State Department Adviser Tied to Misuse of Rebel Aid," Miami Herald, February 16, 1987.

they had committed the fraud "so it didn't all blow up." Defendant Owen was not questioned about the falsified receipt.[800] Owen was well aware of the illegal uses of the NHAO and other funds by the Enterprise, and the inability of other contra leaders to effect change. On April 7, 1986, he wrote to North:

> A big concern he [Arturo Cruz Sr.] voiced is the problem with corruption. On two separate occassions [sic] he said "I believe Adolfo Calero is an honest man. I don't believe he would steal or that he is corrupt." He did not say the same about Mario [Calero] or Aristedes [Sanchez]. He asked a number of questions regarding what I knew about possible corruption, and what is going on at NHAO.[801]

NHAO and Michael Palmer: Another Deal with Drugs

Another drug smuggler selected to receive NHAO funds by the Enterprise was Michael Palmer, a former Delta Airlines pilot who had access to airplanes, munitions, counterfeit I.D.s and a drug fortune estimated at $30 million. Leigh Ritch, another drug dealer, testified before Congress recently that Palmer was the "top man" in an organization that grossed billions of dollars in marijuana.[802]

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[800]"State Department Adviser Tied to Misuse of Rebel Aid," Miami Herald, February 16, 1987.

[801]Owen Congressional Testimony, supra, RWO-15 (memo from "TC" [Owen] to "William" [North], dated April 7, 1986, entitled "Recent Trip."

[802]"Panel to Probe Alleged Contra-Drug Trade Links," Boston Globe, February 13, 1988.

A year prior to his selection, Palmer was in a Colombian jail on a drug charge. Palmer and his companion, Kenneth Alexander Jayson, using a Beechcraft A-80, had gone to Valledupar, Colombia, to pick up 2,000 pounds of marijuana and deliver $1 million. Palmer and Jayson were arrested by the army but released after they paid $250,000.[803] Nonetheless, through his company, Vortex, Palmer was paid $96,961 by NHAO for supply flights to Central America just months before he was indicted in Detroit for being a key player in a huge drug syndicate that operated in Tampa, Detroit and Raleigh, North Carolina from 1977 to 1986.[804] Like other pilots, on the return flights, Palmer was allowed to run drugs. The Customs Service, at the request of certain officials of the CIA, did not search the planes used by the supply operation.[805]

In October of 1987, the charges against Palmer were dropped after he participated in a sting operation in the same plane he had used for humanitarian aid purposes.[806] The plane,a DC-6, was also used by Michael Tolliver in 1985 to take a planeload of contra arms Aguacate in

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[803]Affidavit of Alejandro Cerna Sanchez, January 26, 1987, filed in U.S. v. Sanchez (S.D. Texas) (hereafter "Cerna Affidavit"), pp 2-3.

[804]U.S. v. Michael P. Vogel et al., Case No. 86-80368 (E.D. Mich. 1986)

[805]"Panel to Probe Alleged Contra-Drug Trade Links," Boston Globe, February 13, 1988.

[806]Corn and Morley, "Beltway Bandits: The Elusive Contra Drug Suspect," The Nation, March 12, 1988, p. 332; "Inside Vortex," Village Voice, October 20, 1987.

Honduras and return with 25,000 pounds of marijuana into Homestead Air Force Base.[807]

In November of 1987, relatives of Alejandro Cerna Sanchez went to Valledupar to obtain copies of Palmer's arrest record. While there, they became aware that two agents of the United States government were attempting to obtain the original arrest documents and destroy all evidence of that arrest.[808] Cerna also stated in an affidavit that, as part of the sting, Palmer was allowed to keep most of the marijuana and to illegally export AR-15 rifles and ammunition to a partner in Mexico.[809]

NHAO: Contract with Gadd

Defendant Owen also used his position at NHAO to obtain government contracts for other Enterprise corporations involved in the delivery of lethal aid to the contras. Shortly after his employment, Owen, working with Defendant Secord, obtained a NHAO contract from Duemling for Airmach, Gadd's air supply business, which was also delivering lethal aid to the contras.[810] Upon one occasion, the Enterprise instructed Gadd to make an "emergency" delivery of humanitarian supplies to El Salvador so the Enterprise could use it for a lethal delivery at the same time. When the plane arrived in El Salvador, a representative of Defendant Calero told the crew to go

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[807]Cockburn, supra, p. 184-6.

[808]Cerna Affidavit, supra, p. 3.

[809]Cerna Affidavit, supra, pp. 7-8.

[810]Gadd Deposition, supra, p. 24-6; Iran-Contra Congressional Report, supra, pp. 63-4; Cockburn, supra, p. 217.

to Aguacate, where they were then told to load ammunition on to the same plane for delivery to the contras in the field.[811]

Combining Deliveries of Lethal and Humanitarian Aid

In March of 1986, Defendant Owen, through the fraudulent use of travel funds provided for by NHAO, made a trip to Central America during which he personally supervised the use of an L-100 chartered by Southern Air Transport -- another Enterprise contractor -- to deliver humanitarian supplies for delivering munitions to the contras on the southern front. Under the direction of the Enterprise, Owen flew down to Ilopango in El Salvador, where the humanitarian supplies were unloaded and -- when the munitions were not available -- flew on to Aguacate in Honduras and made contacts with Defendant Calero's FDN representative, Defendant Secord, North and Gadd to attempt to obtain the munitions. Felix Rodriguez, Col. James Steele, Ramon Medina (Luis Posada Carilles[812]) and Defendant Quintero attempted to help Owen to obtain the munitions, but were unsuccessful.

As a result of that experience, Defendant Owen recommended that both lethal and non-lethal aid be stored in Honduras, and that Southern Air's L-100 be used for

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[811]NHAO refused to pay for the part of the flight during which the ammunition was transported. Iran-Contra Report, supra, p. 65.

[812]Posada is wanted in Venezuela for his part in the bombing of a Cubana airplane. During his Congressional testimony, Felix Rodriguez stated that he had helped Posada escape from Venezuela. Rodriguez Congressional Testimony, supra, p. 72 (May 28, 1987).

drops in the south until the Santa Elena airstrip was ready. He also discussed various munitions needs of the contras. Owen also used this NHAO trip to travel to Costa Rica and obtain a list of weapons needed by the contras there as he did during several other trips in February and March of 1986.[813]

In April of 1986, the Enterprise arranged to get a second NHAO flight for Southern Air Transport's L-100 to deliver humanitarian supplies. When the plane reached Honduras, the Enterprise added munitions for delivery to the contras in the field. Under this scheme, NHAO paid for most of the cost of delivering lethal aid to the contras.[814]

After the March trip, Owen also suggested that a secure communications channel be provided for the Enterprise between Honduras, Point West and the "UNO Sur" radio shack in Costa Rica. In April, Col. North provided Defendant Owen with a KL43, a secure communications device already in the possession of Defendant Quintero, Felix Rodriguez, Defendant Secord and Gadd, Col. Steele and Southern Air Transport for delivery to Tomas Castillo in Costa Rica. Owen delivered it on one of his NHAO trips.[815]

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[813]Owen Congressional Testimony, supra, pp. 356-9; Exhibit RWO-14 (Memorandum to "BG" [North] from "TC" [Owen] dated March 28, 1986.

[814]Iran-Contra Report, supra, p. 66.

[815]Owen Congressional Testimony, supra, p. 360; Castillo Congressional Testimony, supra, pp. 106; Secord Congressional Testimony, supra, p. 66. Robert C. Dutton, who worked with Defendant Secord, mentioned KL43 communications several times in his testimony. See, e.g.,

Enterprise's Use of Tax-Exempt Funds for Political Purposes

The Enterprise used CDEA, Defendant Owen's 501(c)(4) tax-exempt organization as a mechanism to funnel tax-exempt donations from Carl Channell's National Endowment for the Preservation of Liberty ("NEPL") into lobbying efforts to obtain Congressional votes for contra aid. During the first half of 1986, CDEA, which was funded by NEPL through another organization called Sentinel, hired lobbyist Bruce Cameron for $6,000 per month. This expenditure was only part of a larger, illegal political campaign.[816] In April of 1987, the Democratic Congressional Campaign Committee filed a complaint with the Federal Election Commission charging Channell and NEPL, Sentinel and the American Conservative Trust with violating federal laws governing tax-exempt organizations by soliciting money for political advertisements and attempting to influence elections directly.[817]

Fraudulent Obtaining of Intelligence Information

In order to further the goals of the Enterprise,

Dutton Testimony, supra, pp. 33-8, 46, 65, 74-6, 80, 93 and 205. The KL43 is a highly classified military communications device, which Dutton obtained from the National Security Administration. Id., p. 207.

[816]Central American Freedom Program Budget, NEPL (undated);
CDEA Report Pursuant to Federal Regulation of Lobbying Act, July 15, 1986.

[817]Complaint of Democratic Congressional Campaign Committee, April 28, 1987.

defendants also fraudulently obtained and transmitted highly secret intelligence information to the contras. In the fall of 1984, Lt. Col. Oliver North, who misrepresented his position, requested the information from the CIA and the Department of Defense, ostensibly for his use at the National Security Council. However, North then transmitted the information to the Enterprise through Defendant Owen who provided it to Defendant Calero.[818] Specifically, North obtained intelligence information from the CIA and the Defense Department on the location of Nicaraguan HIND-D helicopters to assist Defendant Calero is destroying them.[819]

Procurement of David Walker by the Enterprise to Further Crimes of Violence

The intelligence passed on by North to the Enterprise was to be used by a British mercenary it had hired. In late 1984, North, upon the suggestion of John Lehman, secretary of the Navy, met with David Walker, a former British Special Air Services officer, and he and Defendant Calero authorized an arrangement under which Walker would work with Defendant Calero to destroy the HIND helicopters. Defendant Calero also met with Walker. Walker subsequently provided mercenaries who participated in attacks on military installations in Nicaragua, including an attack on an arms depot in Managua on March 6, 1985. His costs were paid for by

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[818]Iran-Contra Congressional Report, supra, p. 43.

[819]Iran-Contra Congressional Report, supra, p. 43, citing Exhibit RCM-31 (North memorandum to McFarlane, dated November 7, 1984, entitled "Clarifying Who Said What to Whom").

the Enterprise.[820] These activities by the Enterprise violated 18 U.S.C. 1952, which prohibit engaging in foreign travel and communications to further a crime of violence.

The Maritime Operation

In 1984, Defendant Singlaub met with Karl Phaler of Freedom Marine, which manufactured Kevlar boats which can evade radar detection and reach speeds of up to 70 miles per hour. Singlaub later introduced Phaler to Calero and Oliver North to discuss the use of the boats by the contras. In the summer of 1985, Owen and Bill Kenney, a Singlaub and Aderholt[821] associate who is a former Navy SEAL, went to Costa Rica and Honduras to investigate the possibility of a maritime operation to mount attacks on the ports of Nicaragua. Kenney had already been working for Defendant Singlaub on a project to supply boats to the contras through an Aderholt company called Alkemal America. His expenses were paid by Singlaub's non-profit U.S. Council for World Freedom, and he was also paid $1,500 a month by Defendant Calero.[822]

Owen introduced Kenney to Defendant Nunez with the idea that Kenney would "work" for Nunez's shrimp-processing front company, Frigorificos de Puntarenas. Phaler, Singlaub, Kenney, John (I.W.) Harper, an explosives and munitions expert also associated with Singlaub, and Robert K. Brown, and Owen met during

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[820]Iran-Contra Congressional Report, supra, p. 44. North Congressional Testimony, July 13, 1987, supra, pp. 142-43; Id., July 14, 1987, p. 79-80; Calero Congressional Testimony, supra, pp. 161-2.

[821]Singlaub Deposition, supra, p. 91.

[822]Singlaub Deposition, supra, p. 131.

that same trip in Honduras to discuss training boatmen.[823] Harper had previously been in Honduras to teach the contras demolition skills and "tradecraft" intelligence skills. Shortly thereafter, three boats were sold to the contras and outfitted with machine guns to be used for resupply and "offensive" activities in Nicaragua.[824]

By April of 1986, the Enterprise had established a cover operation in Limon through a new company established by Defendant Nunez and were making arms shipments into Nicaragua. Bill Kenney was requested to come and run the operational aspect.[825]

Defendants Singlaub's, Nunez's and Calero's maritime operation extended far beyond the provision of three machine-gun-outfitted boats and explosives training, however. They were planning a large maritime front on the Atlantic Coast. In late 1985, on behalf of Defendant Singlaub and the U.S. Council for World Freedom, Kenney contacted a Louisiana marine engineering firm to contract for the development, testing, evaluations and fabrication of a non-magnetic, corrosive-resistant submachine gun and other hardware "for utilization by the CONTRA's [sic] maritime insurgency."[826] The firm agreed to procure three

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[823]Owen Deposition, supra, pp. 196-8.

[824]Owen Deposition, supra, p. 472; Corn, "The Case of the 'Stealth' Boats," The Nation, January 9, 1988.

[825]Owen Congressional Testimony,supra, RWO-15 (memo from "TC" [Owen] to "William" [North], dated April 7, 1986, entitled "Recent Trip."

[826]Singlaub Deposition, supra, Exhibit A, p. 50 (letter from Randall M. Smith to John K. Singlaub, dated September 4, 1986).

.50-caliber machine guns and to "acquire and assemble Ten (10) Man Team with alternates for Special Project."[827]

The Louisiana firm produced eight prototype machine guns for the contras' covert amphibious operations and delivered them to Kenney for transshipment to the "end-users." At least one of the guns was delivered to the contras.[828] In payment, it received $15,000 through a Bahamanian bank account it set up upon the direction of Kenney. When Kenney and Singlaub failed to come up with the additional $22,000 spent on the projects, the president of the firm wrote Singlaub in September of 1986 and threatened him with the "political consequences of exposure." Singlaub then arranged for another $15,000 from a private donor to be paid to the firm.[829]

The fabrication of machine guns in the United States and their delivery to the contras was done in violation of numerous arms control laws in the United States. The U.S. Council for World Freedom did not have the proper licenses to export guns to the contras in Central America. Moreover, it was a tax-exempt, non-profit organization which could not legally raise funds to manufacture and deliver weapons.

The Enterprise Takes Over A Business For Racketeering Purposes

In 1981, Robert B. Fletcher created and operated the Animal Factory, a small company in Marietta, Georgia,

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[827]Singlaub Deposition, supra, Exhibit A, pp. 53-4.

[828]Singlaub Deposition, supra, p. 135.

[829]Singlaub Deposition, supra, Exhibit A, pp. 50-1 (letter from Randall M. Smith to John K. Singlaub, dated September 4, 1986).

which manufactured animal puppets. By 1984, Fletcher had developed a moderately productive company.[830] At the end of 1984 or the beginning of 1985, Fletcher was contacted by a business in another office in his building. In approximately February, 1985, he met Gary Best, the head of that company, who explained that his business, Vista Distribution, USA was an import/export wholesale operation that sold watches to convenience stores.[831]

Vista immediately made an offer to buy out the Animal Factory, which Fletcher accepted after Best promised to pay off Fletcher's debts, advertise his puppets and put more money into the company. Fletcher was put on salary and the toy company was renamed Vista Animal Factory USA.[832] Best became chief executive officer of both the toy company and Vista Distributions. Fletcher was given an office in Vista Distributions.[833]

Shortly thereafter, Fletcher began to notice extremely unorthodox practices at Vista including the lack of effort to resell thousands of dollars worth of watches that were returned and the receipt of telex messages which discussed shipments of fireworks and potatoes from Switzerland, Hong Kong and Pakistan even though Vista was not doing

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[830]Deposition of Robert B. Fletcher, 11/12/87 (hereafter "Fletcher Deposition"), p. 6-7; Jim Naureckas, "Inside the Animal Factory," In These Times, Feb 17-Feb 23, 1988 (hereafter "Animal Factory"), p. 12.

[831]Fletcher Deposition, supra, p. 13; "Animal Factory," supra, p. 12.

[832]Fletcher Deposition, supra, p. 14; "Animal Factory," supra, p. 12.

[833]Fletcher Deposition, supra, pp. 17-19.

business in those locales. When Fletcher asked Best to explain this, Best replied that he sold military aircraft and helicopters.[834] Best gave Fletcher more information about the true nature of the company, but warned him not to tell anyone. He then threatened Fletcher by pulling the trigger of an imaginary gun.[835]

There were also many telephone calls and personal visits to Vista from various military officers. Harry (Heinie) Aderholt, a retired U.S. general and Enterprise associate, was in constant touch with Best, and it became apparent that Best and Aderholt were working on aiding the contras against the government of Nicaragua in clear violation of the Neutrality Act. Aderholt remarked to Fletcher that he had "some of his boys working in Nicaragua."[836]

Defendant Singlaub joined this operation in the fall of 1985. Singlaub came to Vista's office on at least one occasion in late September or early October, 1985 and met privately with Best and Aderholt. After this meeting, Best came into Fletcher's office and told him that "General Singlaub is with us now."
Singlaub was subsequently in frequent contact with the office.[837]

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[834]Fletcher Deposition, supra, pp. 22-24; "Animal Factory," supra, p. 12.

[835]Fletcher Deposition, supra, pp. 60-61; "Animal Factory," supra, p. 12..

[836]Fletcher Deposition, supra, p. 24-28; "Animal Factory," supra, p. 12.

[837]Fletcher Deposition, supra, p. 80-81; "Animal Factory," supra, p. 12.

Singlaub acknowledged that he had visited Vista and Best, but stated that it was in relationship to a MIA project he and Aderholt were involved in.[838]

Other associates of the Enterprise were also evident at Vista. Vista's American Express account paid for a round-trip ticket to Managua for Bill Kenney, who was working for Singlaub and Aderholt on various armaments projects for the contras.[839] On another occasion in mid-1986, after Fletcher had left the company, Kenney brought in one of the machines guns discussed above to the Vista office to show Best.[840] Kenney's association with the Enterprise was explicitly demonstrated in a March 1986 memorandum to Oliver North from Defendant Rob Owen which stated that Kenney "now works with Singlaub and Heinie Aderholt." Owen wrote that Kenney "seems upfront and able to keep his mouth shut" and recommended him for a proposed contra operation.[841]

Vista was also involved in Iran arms sales. Best attempted to open a channel to Iran through one of Fletcher's contacts, an oil businessman named Raj Malliick. Best was "trying to locate aircraft replacement parts and also potentially a couple of large aircraft" for sale to Iran in May or June of 1985, two or three months before the

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[838]Singlaub Deposition, supra, pp. 86-90.

[839]Fletcher Deposition, supra,pp. 99-100,107; "Animal Factory," supra, p. 12.

[840]Fletcher Deposition, supra, pp. 102-103.

[841]Owen Congressional Testimony, supra, Exhibit RWO-13 (memorandum from "TC" [Owen] to "BG" [North], dated March 17, 1986, entitled "Overall Perspective"; "Animal Factory," supra, pp. 12-13.

White House approved Israel's airplane-parts-for-hostages deal with Iran. The sale apparently never materialized.[842]

Vista's operations included aiding the rebels fighting in Angola. Best offered Fletcher $2,000 a flight to be an information courier the Angolan insurgents. But he warned that this work was dangerous, and that Fletcher could be killed if he talked to the wrong people. Fletcher eventually declined to get involved in this operation.[843]

It soon became apparent that Vista was not putting money into Fletcher's toy company as agreed, but that it was being used as a cover and its profits fraudulently diverted to covert operations. Fletcher also became aware that Vista's books were illegally being altered.[844]

Fletcher finally confronted Best in December of 1985 about these unlawful practices. Best ordered Fletcher to leave. Fletcher left as he didn't have the resources to mount a legal struggle and was fearful for his health and safety because of earlier threats made by Best.[845] Fletcher estimated that the Enterprise's takeover of his company cost him at least $100,000.[846]

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[842]Fletcher Deposition, supra, pp. 85-89, 90-94, Exhibits 4 and 5; "Animal Factory," supra, p. 13.

[843]Fletcher Deposition, supra, pp. 58-60, 68-69; "Animal Factory," supra, p. 13.

[844]Fletcher Deposition, supra, pp. 69-71, 114-115; "Animal Factory," supra, p. 13.

[845]Fletcher Deposition, supra, pp. 118-119.

[846]Fletcher Deposition, supra, p. 119; "Animal Factory," supra, p. 13.

United States Council for World Freedom: The Enterprise Uses Tax-Exempt Funds to Assist the Contras

Many, if not all, of the expenses of Defendant Singlaub's trips to raise money for the contras and to provide military assistance were improperly paid for by the U.S. Council for World Freedom (USCWF), a tax-exempt 501(c)(3) organization, and other tax-exempt groups that Singlaub controlled. Defendant Singlaub described the purpose of the Council as providing "support and assistance to the democratic, anti-communist Freedom Fighters of the world."[847] But its tax-exempt status was granted with the following condition: that "at no time will the USCWF ever contemplate providing materiel or funds to any revolutionary, counterrevolutionary or liberation movement."[848] This provision was honored only in the breach.

The Enterprise also used these foundations to provide tax deductions for contributions of funds and equipment that were intended for the military purposes of the contras or to further the Enterprise itself. In 1985, Ellen Garwood, a wealthy Texas woman, gave the USCWF $65,000 for a helicopter -- which Singlaub publicized as the "Lady Ellen" -- for the FDN. She took a tax deduction for that contribution, which was billed as "humanitarian aid."[849] Another organization, Western Monetary

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[847]Letter from Singlaub to Rev. Don White, Gospel Advance Mission, dated February 13, 1985.

[848]Anderson and Anderson, supra, p. 269.

[849] Mrs. Garwood was quoted as saying, "Give to General Singlaub's U.S. Council of World Freedom, whatever he asks, it's tax deductible [sic]." "Who's Running This War?"

Consultants, Inc., of Fort Collins, Colo., donated $72,000 to repair the Lady Ellen.[850] By 1986, however, Singlaub and other were conspiring to use donated and purchased aircraft to set up a private, revenue-generating company to function as a "complete support" air operation for the contras. The aircraft in USWCF's fleet at that time were: two Helio Couriers; two Bell helicopters; one Cessna 337; and one L-19 Bird Dog.[851] All were either donated or purchased with donated funds.[852]

To further the Enterprise's scheme for appropriating tax-exempt donations, in July of 1986, Defendant Singlaub, through USCWF, conspired with Defendant Calero, Mario Calero, Ed Dearborn, Mike Timpani and Joyce Downey to obtain a C-130A airplane, serial number 57-517, registration number N-3226B, from the Valley National Bank of Phoenix, Arizona, for tax-exempt credits of $1 million. Of that amount, $750,000 of the deductible amount would "pay Valley National Bank the sum of $20,000.00 for each trip the C-130A would make from U.S.A. to base camp," although there was no indication the bank would receive payment for those flights. The plane was to be made "flyable" and delivered to Timpani's Falcon

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Frontline, March 16, 1986.

[850]Letter from Singlaub to William R. Kennedy, Jr., dated February 13, 1986.

[851]Singlaub Deposition, supra, Exhibit A, pp. 55-8.

[852]Statement based upon documents provided to Plaintiffs by Defendant Singlaub.

Wings in Mesa, Arizona.[853] The C-130 is a large transport plane, which is "the mainstay of the U.S. tactical airlift fleet and is often also used for paratroop drops."[854]

Dearborn publicly discussed the creation of what he described as a "contra air force" with the Los Angeles Times in July of 1986 while he was supervising the rebuilding of three of the donated planes in San Diego County: the L-19; one of the Helios; and a Cessna 337. Dearborn made a public appeal for donations of money and more airplanes. Defendant Calero admitted that "his aides" were negotiating for the "purchase" of a C-130 transport for the contras.[855]

Conspiring to Defraud the United States Government: The Three-way Trade Scheme

In the summer of 1986, Defendant Singlaub, Ed Luttwak, Barbara Studley of GeoMiliTech and others conspired to defraud the United States government of millions of dollars which would then be secretly and illegally used to support insurgencies in Nicaragua, Afghanistan, Angola and Cambodia without "the consent or awareness of the Department of State or Congress." The plan was part of the Enterprise's overall objective to support and implement off-the-shelf covert operations without accountability to either the Congress or the President. Singlaub proposed it in a letter to CIA director

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[853]Singlaub Deposition, supra, Exhibit A, p. 55 (letter from Joyce Downey to David Oglivy, dated July 8, 1986).

[854]"Contras Air Force: New Factor Is Added to War," Los Angeles Times, July 26, 1986.

[855]"Contra Air Force: New Factor Is Added to War," Los Angeles Times, July 27, 1986.

Casey which was delivered by Luttwak. Another copy was delivered by Studley to a representative of the National Security Council.[856]

The illegal scheme would work in the following manner: Israel would be provided with credits to obtain high technology items and information from the U.S. Israel then would provide military hardware equal in value to the credits to Poland, which wanted to upgrade its armed forces. Poland would provide Soviet-block weapons to the various insurgencies. The delivery of the weapons to the insurgents would occur through a foreign trading company set up by GeoMiliTech. In the process, money appropriated by Congress for one purpose would be used fraudulently for another, unauthorized, covert purpose. According to Defendant Singlaub, both Israel and Poland were "most interested in pursuing their role in this trade arrangement."[857]

At the same time of the three-way trade proposal, Defendant Singlaub also proposed another violation of U.S. law by suggesting a method by which military equipment could be secretly provided to the contras and paid for by the U.S. government prior to the effective date of Congressional appropriations for military aid. Singlaub presented Casey with a list of over $80 million in arms and explosives, including C-4, available from Poland, which he said could be shipped immediately if Casey would provide a letter of credit to a GeoMiliTech's Swiss bank. The bank would then issue a loan "in the name of a

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[856]Singlaub Congressional Testimony, supra, Exhibit JKS-6 (undated letter on GeoMiliTech stationary from John K. Singlaub to William Casey and enclosures); and Exhibit JKS-5 (undated note from Barbara Studley).

[857]Singlaub Congressional Testimony, supra, Exhibit JKS-5.

corporation of your choice." Singlaub told Casey that

> Our banker is prepared to fly to Washington and take care of the Letter of Credit directly with your designated bank. This eliminates all bank tested telexes or paper trails. . . . It is not necessary for our bank to know your identity, only your banker.
>
> Our bank has been exceptionally discreet in processing our transactions in the past. At the close of the transactions, the bank file will only show corporations, numbered items and amounts. No reference will be made of the specific items involved in the transaction, nor of the individuals or actual organizations involved.[858]

Defendant Singlaub said that GeoMiliTech could provide the items "dockside, ready for shipment," within two weeks of the date of a letter of credit.[859] The transaction would have made GeoMiliTech the largest supplier of military goods to the contras.

Singlaub Pretends to Obtain Enterprise Aid for Pastora

Under the procedures set up by the Enterprise, contra leaders were well aware of the requirement that necessary funds to continue their war came from the Enterprise. At the end of 1984, Defendant Singlaub was in a hotel in

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[858]Singlaub Deposition, supra, Exhibit A, p. 1 (undated letter on GeoMiliTech stationery from John K. Singlaub to William Casey).

[859]Singlaub Deposition, supra, Exhibit A, p. 1 (undated letter on GeoMiliTech stationary from John K. Singlaub to William Casey).

Miami where he met with El Negro Chamorro and Steadman Fagoth, a leader of a faction of the Miskito Indians, who were requesting aid. Pastora also requested aid, but was refused. Pastora contacted Defendant Singlaub again in mid-1985 and "some months later" to ask for aid.[860] During the last contact, Defendant Singlaub said he would talk to "certain people" to see if they could help Pastora.[861] However, because he wanted to see the situation in Costa Rica and persuade Pastora to join UNO, Defendant Singlaub traveled to Costa Rica and Pastora's operations near the Rio San Juan in March of 1986.[862] Prior to his meeting with Pastora, Singlaub met with U.S. Ambassador Lewis Tambs in San Jose and Elliott Abrams in Washington.[863]

Defendant Singlaub promised military and economic aid to Pastora on the condition that Pastora withdraw from the San Juan River and go deeper inside Nicaragua and "coordinate actions with" the FDN.[864] An agreement was

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[860]Prado Deposition, supra, p. 70.

[861]Deposition of Eden Pastora, supra, pp. 95-6.

[862]Testimony of John Singlaub, Joint Hearings on the Iran-Contra Investigation, May 20, 1985 (hereafter "Singlaub Congressional Testimony"), p.240.

[863]Testimony of Lewis Tambs, Joint Hearing on the Iran-Contra Investigations, May 27, 1987 (hereafter "Tambs Congressional Testimony"), p. 177-8.

[864]Pastora and Defendant Singlaub have given somewhat differing testimony about their agreement. Defendant Singlaub stated that the aid was conditioned upon Pastora's entering Nicaragua (Singlaub Congressional

drawn up with these conditions and given to Tambs.[865] Pastora was subsequently told by Singlaub that the agreement had been "approved."[866]

The agreement was sent by Tambs to Abrams on March 27, 1986. Tambs told Singlaub, however, that Singlaub could not negotiate for the U.S. government, but

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Testimony, supra, p. 242-3). Pastora testified that an additional condition was his withdrawal from the San Juan River. Singlaub would then provide "appropriate" equipment to the 300-400 men left inside Nicaragua when the river positions had been abandoned. Pastora Deposition, supra, pp. 96-7. Carlos Prado testified that the military aid would come in two stages: a small amount of weapons initially, regardless of where Pastora was, and a much larger amount when Pastora was in Nicaragua. Prado Deposition, supra, p. 71.

[865]Pastora Deposition, supra, p. 97; Singlaub Congressional Testimony, p. 243. The actual agreement was placed into the record of the Congressional hearings during the testimony of Lewis Tambs, former U.S. ambassador to Costa Rica. It stated that the United States would provide boots, food, ammunition, medicine, maps, military needs for Pastora's troops, including new men who join his army, training advisors. Testimony of Lewis Tambs, Joint Hearings on the Iran-Contra Investigation, May 27, 1987 (hereafter "Tambs Congressional Testimony"), p. 180, Ex. LAT1.

[866]Pastora Deposition, supra, p. 97. Singlaub subsequently testified that Tambs was "very pleased" with the agreement because it "eliminated" problems with Pastora's presence in Costa Rica.

was told that Singlaub meant private U.S. citizens.[867] Tambs' position was not communicated to Pastora.[868]

Defendant Singlaub had spoken to Defendant Calero to get the support to provide the equipment to Pastora. However, this shipment was halted causing the downfall of Pastora.[869]

Bribery: The Enterprise Gives Illegal Gratuities to a Government Official

From late 1985 through 1986, the Enterprise conspired to "promise and pay" illegal gratuities to Oliver North "to encourage North to continue in his position on the staff of the NSC" for the benefit of the rest of the members of the Enterprise. North's continuance on the NSC was necessary for the Enterprise could continue on in its lucrative activities.[870]

The first gratuity to North involved the provision of a security system at North's house. North claimed to be concerned about security for his family because of terrorist threats.[871] On April 29, 1986, Defendant Secord hired

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[867]Tambs Congressional Testimony, supra, pp. 180-2.

[868]Tambs Congressional Testimony, supra, pp. 189-90.

[869]Singlaub Congressional Testimony, supra, pp. 244-45; Pastora Deposition, supra, pp. 97-98.

[870]Poindexter et al. Indictment, supra, Count 17, pp. 81-2.

[871]The system that was finally designed after consultation with North was not designed to repel terrorists, but merely trespassers. Iran-Contra Congresssional Report, supra, p. 342.

Robinette to install the security system.[872] Two meetings to discuss the system with North were held in May by Secord and Robinette.[873] The system was installed by a company called VATEC, which was comprised of former CIA officers, in July, and Defendant Secord paid Robinette $16,000 for the system.[874] Robinette initially said that the money was an "advance" to North, and that he hoped to "get some more business" from it.[875] Defendant Secord subsequently falsely stated to the Iran-Contra Congressional committees that he did not pay for the security system.[876]

In December of 1986, however, after a conversation with Defendant Secord, Robinette sent two back-dated

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[872]Robinette Congressional Testimony, supra, p. 10.

[873]Poindexter et al. Indictment, supra, Count 17, "Overt Acts," p. 82-3.

[874]Robinette Congressional Testimony, supra, pp. 10-28, 54-55 and 69 and Exhibits GAR-1, GAR-3, GAR-5, GAR-7A, GAR-7B, GAR-7C, GAR-7D, GAR-7E and GAR-7F. At one point, Secord paid $9,000 to Robinette for the system divided up as follows: $5,703 to VATEC, $2,173 for Automatic Door, which provided a remote control date; and approximately $1,100 for Robinette's services. The exhibits trace the $9,000 from Udall Corp. through CSF Investments to Robinette.

[875]CBS Evening News, March 16, 1987, interview with Robinette.

[876]Secord stated that "the money for the system came from the guy who put it in without any blessing from me and without any financial assistance from me." (cite)

invoices for $8,000 for the security system to Col. North. One was dated July 2, 1986, and the second was dated September 22, 1986.[877] North then sent back falsely dated responses. Neither Robinette nor Defendant Secord expected Col. North to repay them for the security system, but wanted to provide him with a "cover" story.[878]

Defendants Secord, Hakim and North were indicted in April of 1988 for the payment and acceptance of the illegal gratuities in violation of 18 U.S.C. 201(f) resulting from the installation of the security system.[879]

The Enterprise provided a larger gratuity to North in the form of financial assistance for his children's education. On March 6, 1986, Willard Zucker, an attorney associated with Defendant Hakim, met with North's wife Elizabeth in Philadelphia to make arrangements to establish a $200,000 fund for the North children. On May 20, 1986, Defendant Hakim established the fund in the name of B. Button by wiring money from an Enterprise account to CSF. Zucker informed Elizabeth North of its existence sometime later. In the fall of 1986, Zucker called David Lewis, a Washington attorney, and asked Lewis if he could pass money to the wife of a White House official that would be disguised as compensation for her services. Lewis informed the investigating Congressional committees and the special prosecutor in February of 1987. Secord and

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[877]Robinette formerly worked for the Technical Services Department of the CIA, which creates forged documents.

[878]Robinette Congressional Testimony, supra, pp. 31-41 and Exhibits GAR-8A, GAR-8B, GAR-9A and GAR-9B.

[879]Poindexter et al. Indictment, supra, Counts17-8.

Hakim were subsequently indicted for the scheme.[880]

Conspiracy to Use FDN Assets for the Benefit of the Enterprise

By 1986, the Enterprise had taken over almost completely the financial assets of the FDN. Through the Enterprise's corporations and their control of the Nicaraguan Humanitarian Aid Office in the Department of State, Defendants Secord, Clines, Owen, and Hakim, with the acquiescence of Defendant Calero, controlled their bank accounts and all purchases of both humanitarian and military supplies for the contras and their families in the field. The FDN was in no position to require an accounting from the Enterprise as to how the funds ostensibly donated to it were actually spent. The result was profiteering, the use of funds for personal purposes by the Enterprise members and their associates, and the secreting of funds in private, off-shore bank accounts.[881]

In March, Defendant Owen told North that he had heard that Defendant Calero, his brother, Mario, and

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[880]Poindexter et al. Indictment, supra, Count 18; Iran-Contra Congressional Report, supra, pp. 344-5.

[881] In February of 1986, Defendant Singlaub received an "intelligence report" from Bill Kenney. The report, which was "not favorable" to Defendant Calero and included reports on contra bank accounts in Europe and the Caribbean, and Defendants Secord and Clines. It was stolen from Defendant Singlaub's hotel room in Washington. Owen Congressional Testimony, supra, Exhibit RWO-11 (memo from "TC" [Owen] to "BG" [North], dated February 10, 1986.

Aristides Sanchez all had off-shore bank accounts. FDN officials were complaining about high airplane prices and "sweetheart deals." Owen stated that "[i]f the $100 million is approved and things go on as they have these last five years, it will be like pouring money down a sink hole."[882] Contra leaders Robelo and Cruz also expressed their concerns about corruption.[883]

Thus when Congress appropriated the $100 million in humanitarian and military aid for the contras in the summer of 1986 and it appeared that the CIA bureaucracy would once again take over the supply operation, the Enterprise and its members sought to financially benefit once again by taking assets from the FDN.

Between the time of the Congressional appropriation of new funds in June of 1986 and its effective disbursal date in October, the Enterprise began to scheme again to obtain additional funds for its private benefit and for its own future private covert operations. In July, at the behest of Defendant Secord, Dutton drafted a plan under which the Enterprise would sell the aircraft[884] and other

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[882]Owen Congressional Testimony, supra, Exhibit RWO-13 (memo from "TC" [Owen] to "BG" [North], dated March 17, 1986, entitled "Overall Perspective."

[883]Owen Congressional Testimony, supra, RWO-15 (memo from "TC" [Owen] to "William" [North], dated April 7, 1986, entitled "Recent Trip."

[884]In 1985, Oliver North stated to Felix Rodriguez that the "resistance has also purchased a number of new MAULE aircraft. . . " Rodriguez Congressional Testimony, supra, Exhibit FIR-1 (letter from Oliver North to Felix Rodriguez, dated September 20, 1985). There was no indication at that time that the Enterprise was the owner

assets in Central America it had bought with funds donated to the FDN to the CIA for approximately $4 million. These assets included over $1 million for the Point West airstrip, which was located in a country which refused to allow it to operate. The proceeds of those sales would go back to the Enterprise "into a fund for continued similar requirements."[885] North and Secord approved for buy-out plan, and North proposed it to the CIA.[886] However, it was rejected by Clair George, the deputy director for operations, who said he "wouldn't buy those planes if they were the last three planes in Central America."[887]

The Enterprise's attempt to appropriate the assets of the FDN was met with opposition by the Salvadoran military commander at Ilopango and Felix Rodriguez. In September of 1985, Rodriguez had been requested to obtain space at Ilopango from the Salvadorans and provide the security for the Enterprise to maintain their aircraft.[888] Rodriguez had been working since at least since 1983 with the Salvadoran military forces.[889] Rodriguez learned in early 1986 that Defendant Clines, who had once been

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of the aircraft.

[885]Secord Congressional Testimony, supra, Exhibit 4, p. 453.

[886]Dutton Congressional Testimony, supra, p.57.

[887]Iran-Contra Congressional Report, supra, p. 73.

[888]Rodriguez Congressional Testimony, supra, p. 229, Exhibit FIR-1 (letter from Oliver North to Felix Rodriguez, dated September 20, 1985).

[889]Rodriguez Congressional Testimony, supra, pp. 223-7.

Rodriguez's CIA case officer,[890] was connected with the Enterprise. He complained that Clines was a thief and objected to the use of the "Wilson" Enterprise to supply the contras. When Rodriguez took the C-123 to Miami and loaded it up with spare parts and medicine and transported it to El Salvador, he was threatened by North with an air piracy charge.[891]

On August 8, 1986, Rodriguez met with his old friend, Donald Gregg, Vice President Bush's security adviser; Gregg's assistant, Col. Samuel Watson; and Col. Robert Earl of the NSC. Rodriguez alleged that the Enterprise was skimming funds from the contras by (1) buying hand grenades for $3 and selling them for $9;[892] (2) being reimbursed $850 for two people operating in Costa Rica who were only being paid $250 per day; (3) overcharging for the construction of the Point West airstrip; (4) overcharging for communications equipment; (5) excessively high prices for the aircraft; (6) providing 30-year-old ammunition; (7) charging $20,000 for a gear piece; and (8) not providing appropriate safety equipment for the

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[890]Rodriguez Congressional Testimony, supra, p. 243.

[891]Iran-Contra Congressional Report, supra, p. 74.

[892]Rodriguez said he obtained this information from someone in Honduras who had met a ship loaded with contra arms and read the manifest. Rodriguez Congressional Testimony, supra, p. 288. Defendant Dell Amico met the first shipment of arms from Defendant Singlaub and GeoMiliTech, read the manifest and went to the Polish supplier to obtain the same prices. Singlaub Congressional Testimony, supra, Exhibit JKS-4 (letter from Barbara Studley to Oliver North, dated October 30, 1985).

crews.[893] Rodriguez had provided North with a letter from John Piowaty, one of the resupply pilots, after he hit a mountain and almost crashed because of inadequate equipment. Piowaty complained of poor instrumentation, lack of night vision goggles and inadequate radar capabilities. He added:

> And, finally, I demand respect for my life, the lives of my fellow crew members and some respect for those we are supposed to be supporting. I would like to think that we/you are all motivated by respect for life in this endeavor. How, then, can we be pressed into service . . . without the equipment listed above, without parachutes, without minimum survival gear, without adequate communications with the DZ, with inadequate (even withheld) intelligence, without secure communications? Is it simply greed that drives some of you to drive the rest of us?[894]

A little over two months later, the C-123 that Piowaty

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[893]Rodriguez testified that 81-millimeter ammunition manufactured in 1954 was delivered. It subsequently did not perform well in the field. Rodriguez Congressional Testimony, supra, p. 34-5 (May 28, 1987); Exhibits FIR-2 and 3 (lists of munitions and equipment taken from the warehouse at Ilopango between May 1 and September 29, 1986); Exhibit FIR-4 (undated letter of complaint about unsafe conditions from the Ilopango crews); and Exhibit FIR-5 (memorandum from Donald Gregg, dated August 8, 1966).

[894]Rodriguez Congressional Testimony, supra, Exhibit FIR-4 (undated letter from John Piowaty).

had his accident in was shot down by the contras. Only one crewman, Eugene Hasenfus, survived. He did so because his brother had provided him with a parachute before he left for El Salvador.

Rodriguez went back to the supply operation, but he and the FDN placed an FDN soldier on every flight so that the planes could not be stolen by the Enterprise.[895]

Some of Rodriguez's allegations were supported by the invoices provided to the Iran-Contra committees. In an invoice dated March 31, 1986, East, Inc., an Enterprise company, billed Lake Resources, another Enterprise company, $450 a day on a 31-day-per-month basis, or approximately $14,000 per month, for the services of men who were being paid $3,000 a month. Even after living expenses were paid, the profit to the Enterprise was almost 100 percent.[896]

The Enterprise also converted the airplanes that private donors gave to the FDN to its own use. Joseph Coors testified before Congress that he did not give $65,000 for a Maule plane to General Secord. "I gave it to the freedom fighters in Honduras."[897] North gave Coors the number of Lake Resources' Swiss bank account when Coors agreed to contribute $65,000 for the purchase of a Maule airplane for the contras. Coors was

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[895]Rodriguez Congressional Testimony, supra, pp. 285 and pp. 30-2 and 74 (May 28, 1987).

[896]Rodriguez Congressional Testimony, supra, pp. 106-8 (May 28, 1987); Exhibit FIR-1.

[897]Coors Congressional Testimony, supra, p. 115.

subsequently shown a picture of "his" Maule by North.[898] William O'Boyle contributed $130,000 for two additional Maules for the contras.[899] Nelson Bunker Hunt donated over $400,000 for both Maules and weapons.[900]

Obstruction of Justice: The Terrell-Florida Investigations

Both the press and various law enforcement agencies conducted investigations during the period of the Boland Amendment which reached certain aspects of the Enterprise's contra resupply operation. This lawsuit and the ensuing investigation also threatened to bring the illegal activity of the Enterprise to light. The Enterprise reacted to possible disclosure of its activities by using various obstruction tactics to impede investigations, thereby protecting itself from exposure.[901]

In January of 1985, at approximately the same time Jack Terrell and other mercenaries had been present at a meeting where the assassination of Eden Pastora was discussed, Defendant Owen wrote Oliver North and suggested that Terrell be shut up as soon as possible. Owen wrote:

> Would seem a good idea to deal with Flacko [Terrell] as soon as possible. Probably will not be

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[898]Coors Congressional Testimony, supra, pp. 51-2 and 101.

[899]Testimony of William O'Boyle before the Joint Committees, May 21, 1987 (hereafter "O'Boyle Congressional Testimony"), pp. 31-2. O'Boyle also testified that he intended his plane to be a donation to the contras.

[900]Iran-Contra Congressional Report, supra, p. 94.

[901]Iran-Contra Congressional Report, pp. 105-113.

> scared off as he believes he has done nothing to violate the neutrality act. If he is held probably will still move forward after he is let out, unless he can be locked up for a good long time. Best bet might be to dry up his funds, have someone talk to him about National Security and put the word out that he is not to be touched . . . Posey has been doing the best he can to either sit on Flacko, or deal him out, but that is not possible because right now Flacko knows too much and it would do no one any good if he went to the press. He has to be finessed out.[902]

North then contacted Michael Boone, an agent in the Los Angeles office of the FBI, who was already investigating allegations that Terrell was planning to violate the Neutrality Act by recruiting mercenaries to invade Nicaragua, to encourage that investigation because Terrell "would do extreme damage to the contra movement." Terrell was not arrested but North bragged to FBI agents that he had secretly arranged for Honduran security forces to evict Terrell at gunpoint from that country on March 15, 1985, apparently because Terrell was attempting to organize an anti-communist guerilla force outside of the control of the Enterprise.[903]

By late 1985, Terrell was trying to get FBI agents in New Orleans interested in the Enterprise. The Miami office was already investigating Defendant Posey and in August, it began to investigate allegations of arms and

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[902]Owen Transcript, supra, Exhibit 2 (memorandum from Robert Owen to Oliver North, dated January 31, 1985)

[903]"North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

drug smuggling by the contras, particularly the March 6, 1985 shipment of arms from Fort Lauderdale to Ilopango.[904] The original source of their information was Jesus Garcia, who had been recruited by Defendant Posey and had assisted in the March 6 shipment.[905] Garcia began to talk after being prosecuted for on a weapons possession charge, and Defendant Corvo was already under investigation.[906] The suspects were Defendants Posey, Corvo, Hull, Chanes, Vidal and Jones and Sam Hall, Francisco Hernandez, Peter Glibbery, Steven Carr, Robert Thompson and Terrell.[907] Defendant Corvo and some of the others were also suspected to have participated in the bombing of the Continental Bank.[908]

On March 6, 1986, Terrell met with FBI agents and told them about many of the Enterprise's activities, including the plot to assassinate Ambassador Tambs and receive $1 million from the Ochoa drug family.[909]

On March 24, Deputy Attorney General Lowell

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[904]Deposition of Kevin W. Currier before the Joint Congressional Committees, May 5, 1987 (hereafter "Currier Congressional Deposition"), p. 6.

[905]Waas, "Obstruction at Justice," Village Voice, March 31, 1987.

[906]Feldman Deposition, supra, pp. 5-7.

[907]Feldman Deposition, supra, pp. 20 and 34.

[908]Feldman Deposition, supra, p. 34.

[909]Waas, "Ollie North's Private Dick: New Evidence of NSC Corruption, Village Voice, September 29, 1987, citing Justice Department memorandum of the interview of Terrell.

Jensen, by order of Attorney General Edwin Meese, briefed Admiral John Poindexter, President Reagan's National Security advisor, on the investigation, and the Justice Department took over control of the investigation.[910]

On March 25, 1986, Jeffrey Feldman, the assistant U.S. attorney in charge of the Florida investigation questioned Terrell for nine hours. Feldman then went to Costa Rica to interview Tambs, Joe Fernandez, the mercenaries Peter Glibbery and Steven Carr and Defendant Hull. While there, Feldman showed Tambs a chart of the supply operation with North, Owen, Hull, Jones and Jim Denby on it. Tambs "turned white," and called in Fernandez, and tried to "rip the credibility of the various people who were making the allegations."[911]

As a result, Fernandez told both persons in the CIA and North about the investigation.[912] Defendant Hull, who refused to be interviewed,[913] also called North to warn him that the entire contra supply effort was in jeopardy if the investigation continued. North contacted Admiral Poindexter, who called Attorney General Edwin

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[910]Waas, "Ollie North's Private Dick," Village Voice, September 29, 1987, citing Jensen's testimony before the Iran-contra committees.

[911]Feldman Deposition, supra, pp. 43 and 49-50.

[912]Waas, "Ollie North's Private Dick," Village Voice, September 29, 1987.

[913]Hull refused to testify based on the advice of Kirk Kotula, the U.S. consul general in San Jose. Memorandum of Jeffrey Feldman cited in "Witness the Persecution," Village Voice, November 17, 1987.

Meese. Poindexter told Meese that the investigation would endanger the arms supply network and the contra war effort. Attorney General Meese said he would "get on top of the situation" and contacted U.S. Attorney Leon Kellner. Meese did so by contacting his deputy,Oliver (Buck) Revell. Revell told Mark Richard, deputy assistant attorney general for the criminal division, to "[p]lease get on top of this DLJ [Jensen] is giving a heads up to the NSC. He would like us to watch over it. Call Kellner, find out what is up, and advise him that decision should be run by you."[914]

According to a memorandum prepared by investigators for a House judiciary subcommittee, assistant U.S. attorney David Leiwant, who met with Feldman and Kellner on April 4, Kellner stated that "Washington wanted him to go very slow on the case," because it could affect an upcoming congressional vote on contra aid.[915] Kellner repeatedly mentioned the name of Lowell Jensen.[916] In May of 1986, Feldman recommended the convening of a grand jury, but Kellner rejected that recommendation.[917]

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[914]Deposition of Mark M. Richard before the Joint Congressional Committees, August 19, 1987 (hereafter "Richard Congressional Deposition"), p. 54.

[915]Waas, "Ollie North's Private Dick," Village Voice, September 29, 1987.

[916]Waas, "Witness the Persecution," Village Voice, November 17, 1987. Leiwant is now the subject of an investigation by the Justice Department's Office of Professional Responsibility (OPR). Id.

[917]Waas, "Obstruction at Justice," Village Voice, March 31, 1987.

Kellner subsequently submitted an altered, back-dated memo, purportedly from Feldman, stating that a grand jury investigation would be a "fishing expedition" to the Senate Foreign Relations Committee.[918] The memo was also used to oppose a request from Senator John Kerry for an investigation. Sen. Kerry told the committee that he could produce law enforcement officials who would state that their drug trafficking investigations had been called off because of CIA involvement or threats to national security.[919]

Over the summer, Feldman and FBI Agent Kevin Currier did additional investigative work. They interviewed Defendant Corvo who basically admitted that there were weapons on the March 6 shipment. Nonetheless, Kellner told Feldman on August 29 that "Politics are involved . . . Politics aren't a factor for you to consider, but they are a factor for me to consider."[920] Feldman had already received "hints" from Joe Tafe, who was in charge of Neutrality Act violations at Justice.[921] When the Hasenfus plane went down, Kellner was forced into allowing Feldman to go to the grand jury.[922] He called Owen into the grand jury and was told to continue pursuing North

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[918]Feldman Deposition, supra, p. 94.

[919]"NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987.

[920]Feldman Congressional Deposition, supra, p. 105.

[921]Feldman Deposition, supra, p. 104.

[922]Feldman Congressional Deposition, supra, p. 114.

and Hull.[923] Despite the fact that this well-investigated matter has now been before a grand jury for almost 18 months and numerous witnesses and participants in the contra support operation are now afraid to talk publicly because the potential for indictment by the grand jury, not a single indictment has yet been issued.

Discrediting the Plaintiffs and Their Sources

For some time, Jack Terrell was perceived by members of the Enterprise as possessing too much information about their operation and being a potential danger. As early as January, 1985, the Enterprise was concerned that Terrell knew too much and had to be silenced. Terrell returned to the United States from Honduras in March 1985, moved to New Orleans and began to talk about his disillusionment with the contra cause and provide information to the press and law enforcement officials about the Enterprise's operation. Defendant Owen then wrote North concerning Terrell, stating: "It's time someone paid him a visit and told him to go back to the hole he comes from." Terrell claims that at this time contacts he had in the CIA told him "to keep a low profile and keep my mouth shut."[924]

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[923]Owen was an important witness for Feldman. He testified, "[A]ll of a sudden . . . I was able to put Owen at a particular meeting in Miami . . . There were many meetings . . . Let me tell you right now that Rob Owen was at tons of them. Not tons, but a significant number of meetings with players involved in both the Cuban and the CMA organizations." Feldman Congressional Deposition, supra, p. 120.

[924] "North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

Approximately a year later, Terrell moved to Washington, D.C., and began talking about the operation again.[925] In March, 1986, the operation to silence Terrell was reactivated.[926] Defendant Secord hired Glenn Robinette, a former CIA officer who worked for EATSCO and Defendant Clines, to investigate Terrell and Tony Avirgan and Martha Honey, the plaintiffs in this action, and their counsel. North confirmed that he and associates used their own "security apparatus" to investigate Terrell.[927] Robinette was paid $4,000 per month from April to December of 1986, and $2,000 in March of 1987 and met once or twice a week with Defendant Secord and sometimes with Defendant Hakim.[928] The money was taken from the profits from the Iranian arms sales, which Secord said belonged to the Enterprise, and were "legitimate" business expenses because the Plaintiffs' lawsuit could have exposed the Enterprise.[929] His "investigation" included a visit to Costa Rica from November 24 to November 29 during which he spent approximately $8,000

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[925]"North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

[926]Iran-Contra Congressional Report, p.112.

[927]"North Put FBI Heat on Critic," Chicago Tribune September 17, 1987.

[928]Testimony of Glenn A. Robinette, Joint Hearings on the Iran-Contra Investigation, June 23, 1987 (hereafter "Robinette Congressional Testimony"), pp. 6-9 and 73-75 and Exhibits GAR-2A, GAR-2B and GAR-2C.

[929]"Contra Funds Used to Fight Suit," Washington Post, June 29, 1987, citing an interview with Secord.

to pay people for information.[930]

In July, Terrell appeared on CBS' West 57th Street and identified Col. Oliver North was the person running the contra war. Shortly afterwards, he was contacted by Robinette, posing as a lawyer, who offered Terrell spending money under various pretexts to attempt to obtain information. Terrell was introduced to Robinette by Walter Gold, manager of the D.C.-based Washington News Network and a former director of Overseas Press Service.[931]

Based upon about eight meetings with Terrell,[932] Robinette described Terrell as "dangerous to our objectives" and suggested to North that the original "Sting" plan to produce a book, movie, etc., be abandoned in place of a plan to set up a "chopper service or air freight line in Costa Rica" for which one condition of the investors would be that Terrell stop his "political talking."[933]

As these plans were being sketched out, North put in place more direct measures to silence Terrell or at least discrediting him. In mid-1986, the FBI received a tip that

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[930]Robinette Congressional Testimony, supra, pp. 123-125.

[931]"North's 'Security Officer' Linked to Alleged Arms Network," In These Times, August 19 - September 1, 1987.

[932]Deposition of Jack Terrell, February 10, 1988 (hereafter "Terrell Deposition"), p. 90; "Inside Moves," City Paper, August 7, 1987.

[933]Undated memorandum entitled "Notes on J.Terrell-Operational Use/Threat," written by Robinette; Robinette's calendar. After his meetings, Robinette frequently met with Oliver North. Id.

Terrell was involved in an assassination attempt against the President. The timing of this tip is too coincidental to be anything other than part of the Enterprise's scheme against Terrell. Furthermore, on July 15, 1986, North spoke with Revell and for a debriefing on Terrell, put him in contact with one who was familiar with Terrell: Glenn Robinette.[934]

On July 17, 1986 North sent a memo to his superior, National Security Adviser Poindexter, portraying Terrell as a terrorist threat. The memo from North to Poindexter claimed that Terrell was conducting an active measures campaign against the contras. North claimed Terrell was a source of Congressional and media reports against the contras and that the FBI believed Terrell might be plotting to assassinate Reagan. Poindexter told North to write memo to forward to Reagan, which he did on July 28, 1986.[935]

In August 1986, two FBI agents picked up Terrell to ask him questions with regard to the alleged assassination plot. They took Terrell to the Navy yard office where he agreed to take a polygraph. They took then him to an underground room in the International building, a

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[934]Iran-Contra Congressional Report at 112. "North Waged War on His Detractors," Chicago Tribune, August 30, 1987.

[935]James Ridgeway, "Abroad at Home," The Village Voice, February 9, 1988. A White House source claimed that this procedure, informing Reagan of an assassination is highly unusual and a congressional source stated that the Iran-Contra Committee investigators were puzzled by the decision to inform Reagan. "Critic of Contras was 'Terrorist Threat,' North Told President," Washington Post, September 22, 1987.

proceeded to administer a polygraph for two entire days. After he passed the polygraph, he was excused.[936]

Such operations demonstrate how the Enterprise attempted to discredit opponents of the contra aid program and individuals who had information that could expose the Enterprise.[937] As was stated in the Report of the Congressional Committees Investigating the Iran-Contra Affair, it is clear that Oliver North, with Defendant Secord, "instigat[ed] and intensifi[ed] investigations of people and organizations perceived as threats to the Enterprise."[938]

The Southern Air Transport Investigation

On October 5, 1986, an arms-laden, C-123 cargo jet owned by Southern Air Transport crashed inside Nicaraguan territory. Two American pilots, William Cooper and Wallace Sawyer, died, but a "kicker", Eugene Hasenfus, survived.[939] The log of a co-pilot killed in the crash listed two visits of a Southern Air Transport plane to Barranquilla, Colombia, in October of 1985. A secret witness, who had offered a "proffer" to the Senate Foreign Relations Committee, stated that she had witnessed a transaction involving a plane clearly marked as a "Southern Airways" during which U.S. guns were exchanged for drugs in Barranquilla in October of 1985. That information was

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[936]Terrell Deposition, p. 132-136.

[937]Iran-Contra Congressional Report, p. 113; "Critic of Contras was 'Terrorist Threat,' North Told President," Washington Post, September 22, 1987.

[938]Iran-Contra Congressional Report, supra, p. 112.

[939]"Closing In On Meese," Village Voice, April 21, 1987.

provided to the FBI before the October crash in Nicaragua.[940]

The Federal Aviation Administration and the U.S. Customs Service began an investigation into the crash and Southern Air Transport. When Customs served a subpoena on Southern Air Transport for documents relating to the crash, SAT President Bill Langton contacted Robert C. Dutton, who was working with Defendant Secord, to warn him that "if they got into accounting records . . . they would come across other operations that Southern Air had been supporting." Langton further stated that "it would not be the desire of the people [in Washington] to have those operations exposed, and so possibly they should be made aware of that." Dutton, representing Defendant Secord, immediately called Oliver North and conspired to obstruct investigation. North told Dutton to call Langton and "tell him I will take care of it." The next day, Langton called Dutton again and stated that the FAA and Customs were "pressing" for the information. Dutton called North, who told Dutton that he [North] had spoken to Attorney General Edwin Meese, "and that it would be taken care of."[941] Dutton called Langton with that information, "and the Customs and FAA people went away." North also called William Rosenblatt, assistant Customs commissioner. As a result,

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[940]"NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987. The witness is a U.S. citizen, known as "Wanda Doe", who is married to a Colombian drug trafficker.

[941]Testimony of Robert C. Dutton, Joint Hearings on the Iran-Contra Investigation, May 27, 1987 (hereafter "Dutton Testimony"), pp. 97-9.

Customs narrowed its investigation.[942]

A second investigation of Southern Air Transport was initiated by the FBI, but it also was halted through the intervention of Dutton and Defendant Secord. Dutton testified that he advised Col. North of this investigation also. North stated that he would "take care of that," and the investigation was delayed.[943] North discussed the FBI investigation of Southern Air Transport with his boss, Admiral John Poindexter, and Poindexter once again called Attorney General Meese to request a delay in the FBI's investigation. Meese contacted FBI Director Webster, and the delay was granted. Meese also called Treasury Secretary James Baker to discuss Customs' investigation.[944]

In January of 1987, information about "Wanda Doe", an FBI informant with eyewitness evidence of the connection of Southern Air Transport and Defendant Ochoa's drug trafficking operations was leaked to the Washington Times, allegedly by the Justice Department. Doe was forced into hiding.[945]

The Stealth Boat Investigation

Sometime after August of 1985, Karl Phaler, owner of Freedom Marine, sold three stealth boats to Defendant Singlaub for the contras. In the next year, the U.S. Customs Service began an investigation to determine

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[942]"Closing In On Meese," Village Voice, April 21, 1987.

[943]Dutton Testimony, supra, p. 99.

[944]"Closing In On Meese," Village Voice, April 21, 1987.

[945]"NSC, CIA, and Drugs: The Cocaine Connection," Covert Action Intelligence Bulletin, Summer 1987, citing interview with Doe's attorney.

whether criminal acts were involved in this transfer.[946] In the middle of the investigation, some of the defendants contacted Col. Oliver North or other members of the executive branch to halt the investigation of Freedom Marine and the sale of the stealth boats.[947]

The Maule Aircraft Investigation

In the summer of 1986, the Customs Service began investigating allegations that Maule Aircraft Corporation had shipped four aircraft to the contras in violation of U.S. export laws. The aircraft were purchased by Defendant Secord for use in his supply operation. In August, North, upon the suggestion of Defendant Secord, approached Customs Commissioner William von Raab and told von Raab that Customs agents were giving Maule a "hard time." Von Raab turned the investigation over to William Rosenblatt, assistant commissioner for enforcement. North told Rosenblatt that Maule sold only "super Piper Cubs" to a Central American country for humanitarian purposes, but promised to provide the documents Customs needed. Rosenblatt postponed the issuance of subpoenas based upon North's representations.[948]

North and Secord were able to hold off the investigation for several months. In November, North

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[946]Draft memo from Justice Department released by Iran-contra committees. Need to find it."The Case of the 'Stealth" Boats," The Nation, January 9, 1988.

[947]"The Case of the 'Stealth' Boats," The Nation, January 9, 1988.

[948]Iran-Contra Congressional Report, supra, p. 105.

finally produced some documents, but they were not those requested. The investigation finally resumed in November.[949]

The Kelso Investigation

In the spring of 1986, Joseph Kelso, who was working for the Customs Service, went to Costa Rica to investigate the involvement of DEA agents there in drug trafficking and counterfeiting operations. In the course of his investigation, Kelso was detained and questioned and ultimately returned to the United States, where he told authorities he had been working for both Customs and the "intelligence community" and turned over to Customs tapes describing his work.[950]

Defendant Hull knew about Kelso and his investigation because Kelso had come to Hull's ranch and was later detained by Costa Rican authorities there. In August of 1986, Hull wrote a letter to Owen asking Owen to look into the Kelso matter. Owen went immediately to North because of some concern about Plaintiffs' lawsuit.[951] North had already received cables from Tambs who was angry about Kelso investigating "his" agents.[952]

Owen -- representing himself as working for the Institute on Terrorism and Subnational Conflict[953] -- then called the U.S. Customs Office in Denver, and spoke with

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[949]Iran-Contra Congressional Report, supra, p. 106.

[950]Iran-Contra Congressional Report, supra, p. 106.

[951]Owen Deposition, supra, pp. 18-9 and 29-31.

[952]Owen Deposition, supra, pp. 123-4.

[953]Owen Deposition, supra, pp. 156-8.

Gary Hillberry, the agent in charge, about Kelso. At some point, Owen became aware of some tape recordings that Kelso had made concerning his investigation.[954] Hillberry's superior, William Rosenblatt, chief of enforcement for Customs, had earlier spoken with North, and agreed to give the tapes to Owen, believing that Owen was an NSC employee or otherwise working with North.[955] The transfer of tapes occurred although Hillberry knew of Kelso's concern that the tapes not fall into the wrong hands.[956]

Owen listened to some of the tapes and made notes on them. Sometime during the week of November 24-28, 1986. Despite the fact the tapes were part of a government criminal investigation, Owen threw the tapes out as he was preparing to move.[957] happened at the same time as North was shredding huge piles of documents. What was contained in them was significant enough for Owen to have made two trips to Costa Rica to do further investigation, one in August and October of 1986.[958]. Owen has claimed attorney work product privilege concerning those trips, claiming they were done to investigate this lawsuit.[959] He met with Robinette a

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[954]Owen Deposition, supra, pp. 37-44.

[955]Iran-Contra Congressional Report, supra, p. 106.

[956]Owen Deposition, supra, pp. 121-3.

[957]Owen Deposition, supra, pp. 144-7.

[958]Owen Deposition, supra, pp. 129-30.

[959]Owen Deposition, supra, pp. 130-2.

number of times to discuss the lawsuit and Kelso.[960]

SECOND IRANIAN VENTURE

From late 1985 through 1986, Enterprise principals exploited and corrupted a United States Government initiative in the Middle East. The initiative involved the sale of arms to groups in Iran and efforts to obtain the release of American citizens held hostage in Lebanon. The Enterprise conspired to defraud the United States and violated other federal laws by engaging in such racketeering activities as wire fraud, in order to raise funds for the Enterprise and to divert a portion of the profits to the Nicaraguan contras.[961] Members of the Enterprise also took steps to insure that information concerning their off-the-shelf criminal activities in Iran, obtained by a pro-Iranian terrorist group through the torture of American hostage William Buckley, was not revealed.

Revolution in Iran

The Iranian revolution of 1979 ended the reign of the Shah, Mohammed Reza Pahlevi, and 25 years of close ties between Iran and the United States. The Ayatollah Khomeini's Shiite Muslim clergy, which the Shah had excluded from the political process and prohibited from exercising any secular power, formed a new government in

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[960]Owen Deposition, supra, p. 395.

[961]United States District Court for the District of Colombia, United States v. John M. Poindexter, Oliver L. North, Richard V. Secord and Albert Hakim, Defendants. Indictment by Grand Jury Sworn in on January 28, 1987 (hereafter, "Poindexter, et al., Indictment"), pp. 17, 41-42.

February 1979.[962] From that time onward, relations between the government of the United States and the government of Iran were characterized by mutual hostility and tension.[963]

Iranian Seizure of U.S. Embassy Leads to Arms Embargo

On November 4, 1979, the U.S. Embassy in Tehran was seized by pro-Khomeini forces, and 66 American diplomats were held hostage until January 1981. The U.S. government retaliated by freezing all Iranian government assets in the United States, breaking diplomatic relations, blocking the transfer of Iranian government property and imposing a trade embargo. As part of the embargo, all U.S. arms shipments to Iran were prohibited.[964]

Although the eventual release of the American diplomats was achieved by reversing some of these retaliatory measures, the arms embargo remained in force. The embargo proved particularly costly to the government of Khomeini, which became engaged in a full-scale war of attrition after Iran was attacked by Iraq, Iran's neighbor to the west, on September 22, 1980. Iran's need for American spare parts and weapons arose from the Shah's Americanization of the Iranian military.[965]

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[962]The Report of the Congressional Committees Investigating the Iran-Contra Affair, November 1987 (hereafter "Iran-Contra Report"), p. 157.

[963]Poindexter, et al., Indictment, supra, p. 5.

[964]Iran-Contra Report, supra, p. 157.

[965]The Shah had been allowed considerable access to U.S.-manufactured advanced weaponry. While this meant the Shah was able to build up a considerable military force, it

Operation Staunch

On December 14, 1983, the United States Government initiated Operation Staunch, a program to persuade other nations to join in the embargo of arms sales to Iran. Countries were urged to stop shipments of arms to Iran "because of the broader interests of the international community in achieving a negotiated settlement to the Iran-Iraq war."[966]

Yet the U.S. Government was aware of Iran's need for American military hardware, and recognized that it had lost an important ally in a strategically critical region of the world with the fall of the Shah. Members of the executive branch of the U.S. Government therefore considered the possibility of establishing ties with the Khomeini government.[967]

Terrorism

On January 20, 1984, in response to an outbreak of terrorist acts against United States targets, U.S. Secretary

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also caused Iran to depend heavily on the U.S. for weapons and replacement parts in order to maintain its military strength. Marshall, Scott and Hunter, supra, p. 150.

[966]Iran-Contra Report, supra, p. 159.

[967]"Reports persisted that Israel still actively supplied the Iranian military despite the US efforts to stop arms sales through Operation Staunch. Other reports hinted that US and Israeli representatives met regularly to discuss Tehran's war needs. Widespread reports, particularly from the Middle East, also suggested that the United States was violating its own arms prohibitions." Iran-Contra Report, supra, p. 159.

of State George Shultz named Iran as one of several nations espousing and sponsoring international terrorism. Four days later, the Administration announced that Iran would be subject to U.S. Government regulations limiting the export of U.S. military equipment to "countries that have repeatedly provided support for acts of international terrorism."[968]

Hostages in Lebanon

Beginning in March 1984, a number of Americans were taken hostage in Lebanon. Three Americans were seized in Beirut in 1984, including CIA station chief William Buckley. The State Department, citing Iranian support for such terrorist acts, imposed further restrictions on the export to Iran of aircraft, aircraft spare parts, and other military goods and technology. Four more Americans were taken hostage in 1985.[969]

William Buckley was the CIA station chief in Beirut. More significantly, he directed anti-terrorist activities for the CIA worldwide. He was kidnapped on March 16, 1984, by members of the pro-Khomeini Lebanese faction of the Hizbollah.[970]

A former associate of Defendant Shackley, Buckley was privy to information regarding the Enterprise's involvement

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[968]Iran-Contra Report, supra, p. 160, citing 15 C.F.R. Section 385.4(d).

[969]Iran-Contra Report, supra, p. 160.

[970]The National Security Archive, Secret Military Assistance to Iran and the Contras: A Chronology of Events and Individuals, July 6, 1987, p. 62, citing Miami Herald, December 7, 1986 and Los Angeles Times, January 21, 1987.

in assassinations in Iran.[971] Buckley's capture was therefore of great concern to members of the Enterprise, especially after they learned that Buckley was being tortured to gain information. Anxious to obtain Buckley's freedom, Defendant Shackley took steps to cause the Reagan Administration to begin negotiations with Iran for Buckley's release. It was later confirmed that Buckley had been tortured to death, and that a 400-page video-taped confession had been extracted from him.[972]

Shackley-Ghorbanifar Meeting

Upon his retirement from the CIA in 1979, Defendant Shackley set up a "risk management" firm named Research Associates, Inc., which shared office space with two other Enterprise companies: SSI and IRT.[973] Through Research Associates, Shackley had maintained contact with the former head of the Shah's SAVAK counterespionage Department VIII, General Manucher Hashemi.[974] Through Hashemi, Shackley was able to meet with a group of Iranians in Hamburg, West Germany, in November 1984. This group included Manucher Ghorbanifar, an Iranian agent living in Paris; an Iranian official known as

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[971]Wilson Statement, supra, p. 160.

[972]Cockburn, supra, p. 200.

[973]"Ex-CIA Agent's Associates Run Arms Export Concern," New York Times, September 6, 1981.

[974]From 1980 to 1983, Shackley had served as a consultant to Stanford Technology Corp., Defendant Hakim's firm, which had picked up several electronic intelligence contracts in Iran. Marshall, Scott, and Hunter, supra, pp. 28, 157.

the "First Iranian"; and Dr. Shahabadi, chief of the Iranian purchasing office in Hamburg and a friend of Saudi arms dealer Adnan Khashoggi. At one of the group's meetings, Ghorbanifar told Shackley that he had contacts through which a ransom deal could be arranged for the release of the U.S. hostages in Lebanon, specifically William Buckley.[975] Ghorbanifar, the First Iranian and Khashoggi would all play major roles in later arms deals.

Upon his return to the U.S., Shackley sent a memorandum on his meetings with the Iranians to Lt. Gen. Vernon Walters, ambassador-at-large in the State Department. Walters passed the memo on to Hugh Montgomery, director of intelligence and research in the State Department; Robert Oakley, head of State Department counterterrorism efforts; and Richard Murphy, assistant secretary of state for Near Eastern Affairs.[976] On December 11, 1984, Montgomery informed Shackley that the State Department was not interested in pursuing the Ghorbanifar proposal.[977] Although the proposal was rejected, Shackley's meeting with Ghorbanifar paved the way for the later secret negotiations for the release of William Buckley.

In May 1985, Shackley met with Michael Ledeen, who

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[975]Iran-Contra Report, supra, p. 164.

[976]It appears that there were other meetings in Hamburg at this time that Shackley did not report. One was with British arms dealer Leslie Aspin and another was with Lt. Col. Oliver North. Cockburn, supra, pp. 195-196.

[977]Iran-Contra Report, supra, p. 164, citing interviews with Theodore Shackley (February 27, 1987) and Hugh Montgomery (March 4, 1987) and "The Report on American Hostages in Lebanon" (December 22, 1984).

in his official capacity was a consultant on terrorism to the National Security Council. Shackley and Ledeen discussed Shackley's Hamburg meeting and the possibility of working out a deal with Ghorbanifar. By the late summer or early fall of 1985, the pieces were in place for arms deals with Iran.[978]

Arms Transactions

The Report of the Congressional Committees Investigating the Iran-Contra Affair (hereafter "Iran-Contra Report") identifies six separate arms sales to Iran. These shipments began in the summer of 1985 and concluded in October 1986, just before the Iran arms initiative and the diversion of funds to the Nicaraguan contras were made public. The Enterprise's activities in the arms sales initiative involved violations of federal law, including a conspiracy to defraud the United States Government.

Arms Sale #1 - August 1985, 96 TOWs for zero hostages

The first transaction, in August 1985, involved the sale of 100 TOW missiles in return for the release of an undetermined number of U.S. citizens held hostage in Lebanon. The missiles were to be provided from the weapons stock of the Israeli Defense Forces. The U.S. agreed to replenish the Israeli weapons stock after the transaction with Iran was completed.

On August 20, 1985, a DC-8 transport aircraft flew from Israel to Iran loaded with 96 TOW missiles (rather than the agreed-upon 100). Ghorbanifar was on the flight. Contrary to the agreement, no hostages were released.

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[978] Marshall, Scott, and Hunter, supra, p. 156. According to Senator Cohen, the memo Shackley wrote was rewritten on June 7, 1985 and given to Michael Ledeen, who handed it on to Oliver North.

Ghorbanifar contended that the TOWs were mistakenly delivered to the Commander of the Iranian Revolutionary Guard rather than to the Iranian faction for whom they were intended.[979]

On August 27, 1985, the government of Iran transferred $1,217,410 to Ghorbanifar's Swiss bank account.[980]

Arms Sale #2 - September 1985, 408 TOWs for 1 hostage

Despite the failure of the first arms transaction, the Iran initiative was continued. Negotiators agreed that the U.S., through Israel, would provide Iran with 400 TOW missiles. In return, the Iranians would arrange for the release of any U.S. hostage except Buckley. The transaction was to take place in the same manner as the first: Israel would provide the missiles, and the U.S. would later replenish the Israeli supply. Lt. Col. Oliver North, on the staff of the National Security Counsel in his official capacity, was to make the necessary arrangements to receive any hostages who might be released.[981]

On September 15, a DC-8 loaded with 408 TOWs flew to Tabriz, Iran. On the same day, American hostage Benjamin Weir was released in Beirut.[982] On information and belief, this transaction was effected to demonstrate the ability of the negotiators on each side to deliver--by providing TOW missiles and releasing Buckley, repectively.

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[979]Iran-Contra Report, supra, p. 168

[980]Iran-Contra Report, supra, p. 168.

[981]Iran-Contra Report, supra, p. 169.

[982]Iran-Contra Report, supra, p. 196.

On September 17, Ghorbanifar paid $290,000 to the Israeli intermediary to cover the costs of transporting the TOWs. The following day, Iran paid $5 million into Ghorbanifar's Swiss bank account.[983]

Arms Sale #3 - November 1985, HAWKs

The third arms transaction was again largely dependent upon the use of Israeli intermediaries. Ghorbanifar told the U.S. and Israeli negotiators that Iran now wanted HAWK anti-aircraft missiles. A deal was worked out to ship a total of 80 HAWKs from Israel to Iran. In order to prevent public exposure of the initiative, the HAWKs were to be sent from Israel to a third country (identified in the Iran-Contra hearings as Country 15, and assumed to be Portugal), and subsequently transferred from that country to Iran.[984]

The leader of Country 15, however, was hesitant to comply with the request, both because the Iran initiative stood in direct contradiction to stated U.S. policy, and because of the unprofessional approach taken by U.S. representatives of the initiative in seeking permission to use Country 15 as a transshipment point for the HAWKs. This government leader asked for a detailed diplomatic note from U.S. government representatives, explaining the initiative, the role of the U.S. in the initiative, and the need for Country 15's assistance. The Enterprise was ultimately unable to provide this note.[985]

The Enterprise Becomes Involved

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[983]Iran-Contra Report, supra, p. 169.

[984]Iran-Contra Report, supra, p. 178-179.

[985]Iran-Contra Report, supra, p. 179.

On November 18, 1985, Lt. Col. Oliver North contacted Defendant Richard Secord to enlist the Enterprise's assistance with this transshipment. North had recently been put in charge of the Iran initiative by Robert C. McFarlane, who in his official capacity was National Security Adviser until December 1985.[986] At the time, North was already involved in other Enterprise criminal activities, including the unlawful operations in support of the contras in Nicaragua. Secord later testified that this was the first he knew of the Iran arms initiative.[987]

Also on November 18, North arranged for the transfer of $1 million from the Israeli intermediaries into the account of Lake Resources, a Panamanian company controlled by the Enterprise. The transfer was completed on November 20. Prior to this transfer, Secord and North had used the company exclusively as a front for supporting the contras.[988]

Lake Resources was the principal corporation used by the Enterprise. Primarily through Defendant Hakim in coordination with North and Defendant Secord, the Enterprise developed a "clandestine financial

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[986]Iran-Contra Report, supra, p. 177.

[987]Joint Hearings before the House Select Committee to Investigate Covert Arms Transactions with Iran and Senate Select Committee on Secret Military Assistance to Iran and the Nicaraguan Opposiition (hereafter "Iran Contra Hearings"), Testimony of Richard Secord, May 5, 1987 (U.S. Government Printing Office edition), 100-1, p. 41 .

[988]Iran-Contra Report, supra, p. 179. Lake Resources and its account at Credit Suisse in Geneva, Switzerland had been established by North and Secord in May 1985 to receive money in support of the covert operations.

infrastructure." The secret infrastructure consisted of foreign corporations and Swiss bank accounts previously under Hakim's control, newly created foreign corporations and additional Swiss bank accounts. Numerous wire transfers of funds into and out of these accounts were conducted by the Enterprise in the course of this operation.[989]

The Enterprise became involved in the Iran arms deals, using the same modus operandi and players as in its previous ventures.[990] According to the Iran-Contra Report:

> "Secord consistently turned to the same group of individuals to accomplish the tasks that North assigned to him. Albert Hakim... was his partner

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[989]Poindexter, et al., Indictment, supra, p. 14. By November 1986, the financial network of the Enterprise included the following foreign corporations and bank accounts: Hyde Park Square Corp., Dolmy Business Inc., Albon Values Corp., Gulf Marketing Consultants, Ltd., Toyco Inc., Udall Research Corp. and Defex S.A. Id.

[990]The Secord-Hakim-Clines Enterprise referred to in the Congressional Iran-Contra investigations is alleged to be only a part of the Defendants' criminal racketeering Enterprise. Hakim described this venture as a covert organization with a chain of command headed by North, and also as a chain of Swiss accounts which he set up and partially owned. Secord described it as the group of offshore companies that carried out the Iran-Contra operations, and conceded that it was fair to describe it as his own covert operations organization. Iran-Contra Report, supra, p. 327, citing testimony by Hakim and Secord.

> and, by agreement, Secord and Hakim were to share equally in any Enterprise profits. Hakim controlled the Enterprise's bank accounts. Rafael Quintero... handled the logistics of arms deliveries from various locations in Central America. Glenn Robinette... investigated those who made accusations about operations of the Enterprise and performed other tasks... Thomas Clines... served as the primary broker for the Enterprise's arms transactions.
>
> "The relationships were not new. Secord had been in contact with the group throughout his career; apparently he trusted these individuals and they trusted him..."[991]
>
> "The Enterprise was involved in every NSC-connected shipment of weapons to Iran from November 1985 on. The net surplus generated by these transactions for the benefit of the Enterprise was $16.1 million."[992]

On November 20, Secord arrived in Country 15. Secord and his associate, Defendant Thomas Clines (who, according to Secord's testimony, "had really been handling all of the matters for the Enterprise" in Europe) started "to work the problem . . . through our colleagues in the armaments industry . . ." [993] Despite the efforts of Secord, Clines and the other participants in the Iran initiative,

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[991] Iran-Contra Report, supra, p. 327.

[992] Iran-Contra Report, supra, p. 341.

[993] Secord Testimony, supra, May 9, 1987, p. 209.

Country 15 refused to permit trans-shipment, and another route had to be established.

On November 24, 18 HAWK missiles were delivered from Israel to Iran, the first of several shipments totalling 80 HAWKs. After leaving Iran for Israel to pick up a second load of HAWKs, however, the plane was directed not to return to Israel because of problems arising in Washington and Iran. The airline's role in the HAWK transfer was discontinued; Secord wired a $127,700 payment to the airline from funds in the Lake Resources account. None of the remaining 62 HAWKs was delivered, and no hostages were released.[994]

Another problem developed. The Iranians were dissatisfied, both because they had received older-model HAWKs incapable of meeting their needs, and because many of those HAWKs bore Israeli markings, which they took as an insult. The Iranians requested that the 18 HAWKs be retrieved from them.[995]

North and Secord testified that the $1 million deposit into the Lake Resources account, made by Israeli businessman Al Schwimmer, was to cover the cost of chartered planes to deliver the 80 HAWKs to Iran.[996] Yet that contention appears unlikely, because at the time of the deposit, the Enterprise's assignment was simply to obtain landing clearances for planes already chartered by

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[994]Iran-Contra Report, supra, p. 185, citing Airline Proprietary Receipt Records, 11-29-85 and 12-3-85, CIIN 2581 and 2587.

[995]Iran-Contra Report, supra, p. 187

[996]Secord Testimony, supra, May 5, 1987, pp. 80-84.

Schwimmer.[997]

The Select Committees investigating the Iran-contra affair later ascertained that, of the $1 million, Secord paid approximately $150,000 for aircraft to carry HAWKs to Iran. This left a net of $850,000, part of which was diverted to the Nicaraguan contras. The remainder was disbursed as profit to Secord and his Enterprise associates, Defendants Albert Hakim and Thomas Clines. This represented the first diversion of funds from the Iran arms initiative to the contras.[998]

The Diversion

On December 6, 1985, North met with Israeli officials in New York to discuss a plan to use profits from the upcoming arms sale to Iran to fund operations in support of the contras in Nicaragua. On the same day, North went to London to meet with Secord, Ghorbanifar, Schwimmer, David Kimche, former director general of Israel's Foreign Ministry, and Yaacov Nimrodi, former Israeli defense attache to Iran, to discuss the sale of TOWs to Iran. On December 8, McFarlane flew to London to join the discussions. On December 9, McFarlane, Secord and North returned to Washington. North then proposed a direct sale to Iran by the U.S., using Secord as an operational "conduit."[999]

A criminal indictment, handed down in March 1988 by the grand jury supervised by Independent Counsel

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[997]Iran-Contra Report, supra, p. 179.

[998]Iran-Contra Report, supra, p. 179, citing "Financial Chronology, Accounting Workpaper;" Poindexter, et al., Indictment, supra, p. 19.

[999]Iran Contra Report, supra, p. 199.

Lawrence Walsh, charges that certain Enterprise conspirators, including Secord, were responsible for the shipment of thousands of pounds of lethal military supplies to Central America for use by the contras in December 1985.[1000]

The activities of the Enterprise in engineering the diversion of funds to the contras represent a conspiracy to defraud the United States by obstructing its lawful government functions, by "deceitfully and without legal authorization organizing, directing and concealing a program to continue the funding of the logistical and other support" for the contras during the time that "the prohibitions of the Boland Amendment and other legal restrictions on the execution of covert actions were in place."[1001]

This conspiracy to defraud the United States Government was furthered by the Enterprise's exploitation of the November arms deal, as well as the remaining arms transactions described below, for its own purposes. The Enterprise was thereby "corrupting a United States Government initiative...rather than pursuing solely the specified governmental objectives of the initiative."[1002]

Arms Sale #4 - February 1986, 1000 TOWs

Despite the problems with the HAWK transaction and the failure to secure the release of the hostages, the Enterprise began plans for another arms deal. This time, however, North sought to deal directly with the Iranians, using weapons from U.S. stocks and relegating the Israelis

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[1000] Poindexter, et al., Indictment, supra, p. 19.

[1001] Poindexter, et al., Indictment, supra, p. 9.

[1002] Poindexter, et al., Indictment, supra, pp. 9-10.

to a minor role. This provided the opportunity to generate more profits on the sale of weapons, to be used for the other racketeering activities of the Enterprise, including its illegal support for the contras.[1003] This arrangement was also, on information and belief, intended to ensure that the Iranians would remain silent about the off-the-shelf activities revealed to the pro-Iranian terrorist group by Buckley during his tortured confession.

The Enterprise's Role Expands

The role of the Enterprise in the Iran initiative changed significantly when National Security Adviser John Poindexter and North arranged in January 1986, for Secord to participate in a second transaction.[1004] Beginning with the February 1986 transaction, the Enterprise played a more active role in all facets of the Iran initiative, from negotiation of arms deals to distribution of funds.[1005]

The Independent Counsel's criminal indictment charges that, in January 1986, Poindexter and North arranged for Secord, and through him the Enterprise, "to assist the United States initiative to Iran by acting as an agent and intermediary of the United States Government,... to receive

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[1003]Iran-Contra Report, supra, p. 193. On January 4, 1986, North wrote a memo to John Poindexter, who succeeded McFarlane as national security adviser on December 4, 1985, stating that he believed the sale of U.S. weapons by Israel to Iran would violate the Arms Export Control Act. Iran Contra Report, supra, p. 202, citing "memo from North to Poindexter, subject: Covert Action Finding on Iran, 1-4-86."

[1004]Secord Testimony, supra, May 6, 1987, p. 96.

[1005]Iran-Contra Report, supra, pp. 193-209.

for the United States funds in payment of the weapons to be shipped to Iran, to transmit funds to the CIA and to transport weapons from the United States to Iran." The use of the Enterprise to fill this role "created circumstances under which the Enterprise [was] able secretly to control the proceeds from the sale of arms to elements in Iran and divert a substantial part of such proceeds into the financial network of the Enterprise... thereby depriving the United States of the honest and faithful services of employees free from conflicts of interest, corruption and self-dealing."[1006]

The Plan to Sell TOWs

The February 1986 arms deal, negotiated by Oliver North on behalf of the Enterprise, and an Iranian representative, involved the transfer of 4,000 TOWs to Iran at a price of $10,000 per missile. The TOWs were to be shipped to Iran in increments of 1,000.[1007] On information and belief, the deal also included an agreement on behalf of the Iranians not to reveal the information they learned from Buckley's confession about the Enterprise's off-the-shelf activities.

On January 29, 1986, North held a meeting in the Old Executive Building with Secord, Noel Koch, who in his official capacity was Deputy Assistant Secretary of Defense under Richard Armitage, and Charles Allen, who in his official capacity was CIA National Intelligence Officer. At the meeting, the group decided that the TOWs would be transported from a domestic storage facility to Kelly Air Force Base in Texas, where Secord would accept delivery and ship them via Southern Air Transport to Israel.

[1006] US v. Poindexter, et al., Indictment, supra, pp. 19-20.

[1007] Poindexter, et al., Indictment, supra, p. 20.

Secord would then arrange for the cargo to reach Bender Abbas, Iran from Tel Aviv.[1008]

Pricing

Ghorbanifar, acting as middleman, agreed to pay $10,500 for each TOW (roughly $10 million for the first 1,000). Ghorbanifar arranged for Saudi arms dealer Adnan Khashoggi to advance the $10 million, which was deposited into Lake Resources Credit Suisse account.[1009]

Defendant Secord and Oliver North agreed, in early 1986, "to retain for the Enterprise a substantial part of the $10 million payment for the first shipment of TOW missiles by having Defendant Secord transmit to the United States substantially less than was paid for these missiles on behalf of the Iranians."[1010] As part of this plan, North claimed that a price of $6,000 per TOW was too high a payment for the Enterprise to make, and that the price should be lowered. North knew at the time that the Iranian middleman was willing to pay the Enterprise $10,500 per TOW.[1011]

The pressure from Enterprise members to lower the price on the TOWs, combined with irregular billing procedures, brought the final payment to $3,469 per TOW purchased from the Department of Defense; this represented less than half the normal price.[1012]

[1008]Iran-Contra Report, supra, p. 217.

[1009]Iran Contra Report, supra, p. 217; Cockburn, supra, pp. 203-204.

[1010]Poindexter, et al., Indictment, supra, pp. 20-21.

[1011]Poindexter, et al., Indictment, supra, pp. 20-21.

[1012]Iran-Contra Report, supra, p. 215.

The Enterprise directed that only $3.7 million be transmitted for the TOWs. Thus, on February 10, 1985, $1.85 million was transferred to a U.S. Government Swiss account from the Enterprise's Credit Suisse account, Lake Resources. The next day, an additional $1.85 million was transferred. The $3.7 million was then paid to the Department of Defense for 1,000 TOWs.[1013]

Profit

The February sale of TOW missiles generated a $10 million gross payment to the Enterprise. Of this amount, $3.7 million was transmitted to the U.S. Government to pay for the TOWs. Lake Resources made approximately $6.3 million net profit on the TOW shipment.

Funds from the inflated profit margin created by the Enterprise's underpayment to the U.S. government and overcharge to the Iranians were then used by the Enterprise to "purchase and deliver military weapons and supplies for the Contras," and for the personal enrichment of members of the Enterprise.[1014] Secord determined the final distribution of profits from the initiative, after discussions with North.[1015]

Shipment

On February 17, an Israeli-chartered plane piloted by a crew working for the Enterprise delivered 500 TOWs to Bender Abbas, Iran, and returned to Tel Aviv with the HAWK missiles previously rejected by Iran. The next day, Secord transmitted a message to North describing the

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[1013]Iran-Contra Report, supra, p. 217.

[1014]Poindexter, et al., Indictment, supra, p. 21.

[1015]Secord Testimony, supra, May 7, 1987, p. 110.

delivery.[1016]

On February 27, a second Israeli plane, arranged by Secord and piloted by a crew under his supervision, delivered another 500 TOWs to Bender Abbas, Iran.[1017]

In March and April 1986, Enterprise members, including Defendant Secord, arranged for additional shipments of thousands of pounds of lethal military supplies to be delivered to Central America for use by the contras.[1018]

Arms Sale #5 - May 1986 - HAWK spare parts

On April 14, 1986, Ghorbanifar relayed a new Iranian demand for a meeting in Iran and for delivery of HAWK spare parts in return for the release of the hostages.[1019] It was agreed that the Enterprise would secure a price for the Iranians of $15 million for the spare parts. In order to determine the price, North instructed an assistant to calculate the price to be charged by the Enterprise by multiplying by a factor of 3.7 the official U.S. government prices for the spare parts.[1020]

In May 1986, North directed financiers working on behalf of the Iranians to deposit $15 million into an Enterprise bank account. An additional deposit of $1.46 million was made to the Enterprise account, to cover 508 additional TOWs which were to be provided to Israel as

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[1016]Secord Testimony, supra, May 7, 1987, p. 106.

[1017]Secord Testimony, supra, May 7, 1987, p. 109.

[1018]Poindexter, et al., Indictment, supra, pp. 21-22, 33-34.

[1019]Iran-Contra Report, supra, p. 227.

[1020]Poindexter, et al., Indictment, supra, p. 22.

replenishment for the previous Israeli TOW shipments. Of the approximately $16.5 million the Enterprise received for this hardware, the Defendants caused only $6.5 million to be paid to the United States Government to cover the cost of the HAWK spare parts and the 508 TOWs, leaving a profit for the Enterprise of almost $10 million.[1021]

On May 22, a Southern Air Transport 707 plane landed in Israel, loaded with thirteen pallets of HAWK missile spare parts for delivery to Tehran. On May 24, a second 707 arrived in Israel with 508 TOW missiles for Israeli replenishment of arms delivered earlier to Iran. In Israel, twelve pallets of the HAWK spare parts were loaded into a disguised Israeli Air Force 707.[1022]

On May 25, 1986, a delegation headed by McFarlane and including North left Israel for Tehran on a plane carrying one pallet of the HAWK spare parts. As part of the plan, Defendant Secord remained in Israel with the 707 loaded with the additional twelve pallets of spare parts. Secord stood ready to deliver them to Iran, upon receiving word from the delegation.[1023] The delegation had firm instructions not to transfer any more weapons to Iran until all the hostages had been released.[1024]

The Iranians, however, did not release the hostages. At the end of three days of negotiations, the Iranians offered the U.S. delegation the release of two hostages in return for the delivery of the remaining 12 pallets of HAWK spare parts. North was ready to accept the offer,

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[1021] Poindexter, et al., Indictment, supra, pp. 22-23.

[1022] Iran-Contra Report, supra, p. 232.

[1023] Iran-Contra Report, supra, p. 232.

[1024] Iran-Contra Report, supra, p. 237.

but McFarlane refused; and the delegation left Tehran.[1025]

McFarlane testified that North was so determined to transact the deal that while McFarlane was asleep, North violated McFarlane's orders and instructed Secord to send the plane from Israel with the rest of the HAWK parts. Upon learning of North's actions, McFarlane ordered the plane to return.[1026] After the delegation had left Tehran, North told McFarlane that the Iranian arms deals had produced at least one benefit: the proceeds of the arms sales were being used to support the contras.[1027]

Adnan Khashoggi had furnished $15 million to Ghorbanifar to finance the spare parts transaction, which Ghorbanifar had transferred to the Enterprise's Lake Resources account prior to the shipment. The Israeli government had provided $1.5 million to the Enterprise to finance the 508 TOWs, which were to be shipped to them. The Enterprise had, in turn, provided $6.5 million for payment to the Defense Department for the spare parts, and had incurred expenses of $1.7 million for transportation and related activities.[1028] This left a profit of roughly $10 million, a portion of which was used by the Enterprise to supply the contras with thousands of pounds of lethal military equipment in May 1986. The remainder was transferred to Enterprise bank accounts for the

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[1025]Iran-Contra Report, supra, p. 245.

[1026]Iran-Contra Hearings, Testimony of Robert C. McFarlane, May 12, 1987, p. 79.

[1027]McFarlane Testimony, supra, May 14, 1987, p. 4.

[1028]Secord testimony, supra, May 7, 1987, p. 119.

personal benefit of the Defendants.[1029]

Four days after the last of Khashoggi's payments was deposited in the Lake Resources account, Albon Values, an Enterprise company, paid $26,490 to an Enterprise account named "Korel." Four days later, Hyde Park Square, another Enterprise company, dispensed $200,000 as "capital" for the "Button" account set up by the Enterprise for the North family.[1030]

Overcharging

Shortly after the spare parts were delivered, the Iranians discovered that they had been overcharged by 600% for the HAWK parts.[1031] The Iranians sent a price list to the Israelis detailing the overcharge, but a refund was never considered. Nor did the Enterprise intend to eliminate the overcharge on future shipments. The solution to the Iranian complaint was to have the a false price list prepared to justify the charges.[1032]

[1029]Poindexter, et al., Indictment, supra, pp. 22-23.

[1030]Cockburn, supra, p. 208; Poindexter, et al., Indictment, supra, p. 14.

[1031]Iran-Contra Report, supra, p. 245.

[1032]Iran-Contra Report, supra, pp. 245-246. On July 26, the Iranians obtained the release of Rev. Lawrence Jenco. The Iranians were apparently convinced by Ghorbanifar that the release would lead to the delivery of the remaining HAWK parts. After a meeting between North and Amiram Nir, adviser to Israeli President Shimon Peres, the remaining HAWK spare parts were sent to Iran on August 4. The plane for the shipment was provided by Israel, while the crew was provided by the Enterprise. Id., p. 247.

Arms Sale #6 - October 1986 - 500 TOWs for 1 hostage

After the Tehran mission failed, and added financial complications arose with Ghorbanifar, the Enterprise sought a new opening to Iran. Defendant Hakim testified that he believed the idea to open a "second channel" was Secord's. Hakim took the lead in locating new Iranian contacts, informing Secord and North of his progress.[1033] According to the Iran-Contra Report:

> Hakim thus had an opportunity to promote his business interests and to serve both his newly adopted country, the United States, and his native country, Iran. Hakim estimated the trade market between the United States and Iran to be worth $15 billion. He hoped that his role in renewing relations between the two countries would win him a part of this market. Hakim and Secord intended to use part of the surplus from the Iranian sales to invest for their own benefit in commercial opportunities in Iran.[1034]

The Second Channel

Hakim contacted an Iranian expatriate (the "First Contact"), who travelled to the U.S. to meet with Hakim and consultant George Cave on July 10 and 11, 1986.

[1033] Iran-Contra Report, supra, p. 249, citing Hakim testimony before the Committee.

[1034]. Iran-Contra Report, supra, p. 249, citing Hakim testimony, June 3 and 4, 1987, and a Hakim interview on Nightline, July 9, 1987.

Hakim promised the First Contact a payoff in return for assistance in identifying a new Iranian contact. The First Contact turned to another Iranian businessman, the "Second Contact"; and together they set up a new contact, known as the "Relative" in Iran. The "second channel," consisting of these newly developed contacts, was in place by late July.[1035]

Hakim's and Secord's roles in the Iran initiative expanded significantly with the advent of the second channel. Hakim and Secord attended all meetings with the Relative from August through November, and both conducted important negotiations on behalf of the U.S. involving the release of the hostages.[1036]

On August 25, 1986, a meeting was held in Brussels, Belgium among Secord, Hakim and the new contacts (the First and Second Contacts and the Relative). Secord arranged for a two-day visit for the Relative to Washington on September 19, 1986. The Relative met with North, Secord and Cave, in North's office in the Old Executive Building. Hakim attended part of the meeting. After leaving Washington, the Relative maintained contact with Secord and Hakim.[1037]

The U.S. negotiating team, including North and Defendants Secord and Hakim, met with the Iranian team in Frankfurt, West Germany, from October 6 through October 8, 1986, to negotiate the next arms deal.[1038]

[1035]Iran-Contra Report, supra, p. 249.

[1036]Iran-Contra Report, supra, p. 251.

[1037]Iran-Contra Report, supra, p. 253, citing testimony by Albert Hakim.

[1038]Iran-Contra Report, supra, p. 254.

Secord and Hakim played key negotiating roles in these meetings; at one point, Hakim was the sole negotiator present on behalf of the United States.[1039]

Hakim eventually worked out a deal which called for the release of "1 1/2" hostages (the Iranians would definitely obtain the release of one hostage, and make their best effort to obtain the release of a second). Before the release of any hostages, the U.S. was to provide 500 TOWs to Iran. After the release of the hostages, the U.S. promised to provide 1,000 more TOWs, as well as technical assistance for previously delivered HAWK systems and military intelligence.[1040]

The Iranians agreed to pay the U.S. $3.6 million for the 500 TOWs, and deposited this amount into an Enterprise bank account. Of the $3.6 million, the Enterprise paid approximately $2 million to the U.S. Government for the TOWs, leaving a surplus after costs of approximately $1.3 million.[1041]

In accordance with the terms of the plan negotiated by North and the Iranians in Frankfurt, 500 TOWs arrived in Tehran on October 28, on a flight piloted by an Enterprise crew.[1042] On November 2, David Jacobsen, an American hostage held in Lebanon, was released.[1043]

On the following day, the enire arms initiative was exposed by a Lebanese magazine, Al-Shiraa. Despite the

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[1039]Iran-Contra Report, supra, p. 256.

[1040]Iran-Contra Report, supra, p. 257.

[1041]Secord testimony, supra, p. 123-124.

[1042]Iran-Contra Report, supra, p. 259.

[1043]Iran-Contra Report, supra, p. 261.

revelations, both the Iranian and United States negotiators wished to continue the initiative.[1044]

North contacted Nir on November 23 to inform him that he had been interviewed by Attorney General Edwin Meese, and that Meese had questioned him on the diversion of the profits from Iranian arms sales to the contras. North asked Nir to make arrangments for Israel to assume responsibility for the diversion. According to North's notes, Nir rejected the request.[1045]

On November 25, 1986, Attorney General Meese held a televised press conference to announce that an investigation conducted by his office had revealed the diversion of funds from the Iran initiative to aid the contras.[1046] The disclosure put an end to the Iranian venture.

Congressional investigations and hearings, and grand jury investigations and indictments followed. However, the Enterprise continues to engage in criminal racketeering activity.

ON-GOING VENTURES OF THE ENTERPRISE

"The Fish Farm" and Off-the Shelf Assassinations

It is believed that Defendant Theodore Shackley is a "secret shareholder" of ANV, a Jupiter, Florida-based corporation known as the "The Fish Farm" which trains foreign nationals in the United States for "sabotage and subversion" missions on Andros Island in the Bahamas.[1047]

[1044]Iran-Contra Report, supra, p. 261.

[1045]Iran-Contra Report, supra, p. 262.

[1046]Iran-Contra Report, supra, p. 317.

[1047]Wheaton Deposition, supra, p. 369.

The Fish Farm is an organization set up by a group of former intelligence officers of the military and the CIA as a private corporation with a board of directors, that does legitimate business in Florida, but also has a covert program train assassins for hire to various groups and governments around the world.[1048] Gene Wheaton, a retired U.S. Army criminal investigator for the Criminal Investigation Division (CID) with a long history as a law enforcement officer, was approached by a headhunter for ANV who stated that its function was intelligence security, high-tech security, port security, shipping security, active measures in counter-terrorism. ANV is a wholly owned subsidiary of CSA on whose board Defendant Shackley sits. The founder of CSA is Robert C. "Stretch" Stevens, Jr.[1049]

Shackley, as a "secret shareholder" of ANV, exerts almost total or very heavy influence over the activities of Robert "Stretch" Stevens, CEO of ANV. Stevens, a maritime paramilitary operative had worked for Shackley for 25 years, in various ventures of the Enterprise, including the anti-Castro operations in Cuba and in Southeast Asia.[1050]

William Hamilton, who, as discussed above, had recruited Sam Hall for the Phoenix Battalion, a covert plan to mount world-wide preemptive strikes, is the senior Vice President of ANV. On the advisory board are Gen. Kingston, Adm. Scarborough, Adm. Kidd, Francis J. "Bing"

[1048]Wheaton Deposition, supra, pp. 222 and 227-8.

[1049]Wheaton Deposition, supra, pp. 222-8.

[1050]Wheaton Deposition, supra, p. 360, 359.

West.[1051]

William Hamilton confirmed that the training of non-government commandos and assassins in obscure training camps is being set up around the United States and that these commando battalions were to train Haitians, Southeast Asians, Koreans, and Americans in paramilitary operations.[1052] It is likely that ANV had originally been a U.S. government proprietary that had then gone private.[1053]

ANV is in all likelihood conducting operational training on Andros Island, in the Bahamas.[1054] Furthermore, it has been reported by a television network that as of July 1987, foreign nationals were being trained for "sabotage and subversion" missions on a Caribbean island by "a Jupiter Florida-based company."[1055] An ABC helicopter had been shot down over Andros Island two or three years ago, killing a reporter; and the incident was kept secret for national security reasons.[1056]

It is apparent that ANV functions as an umbrella organization for various commando groups, including the

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[1051]Wheaton Deposition, supra, pp. 229-230.

[1052]Wheaton Deposition, supra, pp. 310, 315, 356-357

[1053]Wheaton Deposition, supra, pp. 356-357. Champlain, ANV headhunter, who had previously worked for Consultants International under Ed Wilson, provided this information to Wheaton.

[1054]Wheaton Deposition, supra, p. 369

[1055]Karen Burnes, "ABC World News Tonight," 16 July 1987.

[1056]Wheaton Deposition, supra, p.372.

Phantom Battalion near Memphis and Peregrine in Texas.[1057] ANV and one or more of the commando groups involve many of the same individuals, and there are numerous ties between them and the Secord-Shackley-Clines-Hakim Enterprise.[1058]

Jim Turney of Posey's CMA, was involved in the Phantom Battalion, which had a nucleus of people from Defendant Posey's organization.[1059] Vang Pao, former Shackley and Clines' associate in the opium drug trade and assassination program in Laos, and former military and intelligence officers associated with him were planning to establish one such group in Arkansas, to train Laotian tribesmen. A meeting to further this project was held in March 1987 at the Heritage Foundation in Washington, DC.[1060] Others involved in the Arkansas project include Rick Wade from Valdez, Alaska; Bill Bode, who was closely aligned with Defendant Owen and Vaughn Forrest, administrative assistant to Congressman William McCollum;[1061] Carl Jenkins, who had originally recruited

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[1057]Wheaton Deposition, supra, p. 373.

[1058]Wheaton Deposition, supra, pp. 381, 395.

[1059]Wheaton Deposition, supra, pp. 380, 379.

[1060]Wheaton Deposition, supra, pp. 373, 374, 376.

[1061]Bode worked in close collaboration with Owen and Forrest in the resupply efforts to the contras during the period the Boland Amendment was in effect and also in a covert supply operation to aid the Afghan rebels. Forrest has maintained that there can be a justification in certain circumstances for going outside the law and creating a death squad. Wheaton Deposition, pp.90-110, 198.

and trained such Enterprise members as Defendants Clines and Quintero,[1062] and Carl Bernard, retired U.S. Army Colonel, special operations. Some managers of the Daisy Air Rifle Company provided property in western Arkansas for the training camp.[1063]

Gary S. Howard and Ronald R. Tucker founded Peregrine International Associates in 1981 and claim they worked on covert operations with Defense Department approval from then until 1984, when the company folded. Many of Peregrine's personnel were veterans of the Army Delta Force unit; the company hired both retired and active-duty military personnel on leave to act as "guns: guys who had no qualms about blowing people away, which is real fine for protective-type work." Peregrine would receive funds for these operations from U.S. agencies such as Customs or from foreign governments, which may have been drawing on U.S. military assistance funds. Their operations include killing drug smugglers in Peru, Honduras, Belize, and Caribbean nations; arming and training contras; and arming and training official military commando units in El Salvador, Honduras, and Peru. Richard J. Meadows served for a time as Peregrine's president; Charles Odorizzi and William Patton worked for the group. Peregrine's key contacts were retired Army Lt. Gen. Samuel V. Wilson (former director of the DIA) and Lt. Col. Wayne E. Long, who as of April 1987 worked as a senior officer in the Foreign Operations Group, which is

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[1062]Jenkins remains close with Clines and Quintero, speaking with them weekly. Wheaton Deposition, pp. 122-123.

[1063]Wheaton Deposition, supra, p. 377

part of the Army's Intelligence Support Activity office.[1064]

Singlaub in the Philippines

In 1986, Defendant Singlaub moved his base of operations to the Philippines, where Ferdinand Marcos has just been deposed. In November, Singlaub and retired Lt. Gen. Robert L. Schweitzer, a one-time employee of the NSC and currently an adviser to GeoMiliTech, traveled to the Philippines to meet with General Luis Villa-Real, head of the Philippine National Intelligence Coordinating Authority, and Chief of Staff Fidel Ramos. Villa-Real is president of the Philippine chapter of the World Anti-Communist League and was instrumental in the creation of right-wing, para-military groups there.[1065] Singlaub also met with CIA station chief Earl Norbert Garrett, Ray Cline and then-Defense Minister Juan Ponce Enrile, an opponent of President Corazon Aquino.[1066]

Shortly after that meeting, the Philippine vigilante groups, armed with sophisticated M-283 rifles with grenade launchers attached, intensified their operations. In March of 1987, in a move reminiscent of his early campaign against Nicaragua, President Reagan signed a finding directing the CIA to conduct increased counterinsurgency operations against the New Peoples Army in the Philippines. The finding specified ten activities, including

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[1064]Frank Greve, Matthew Purdy, and Mark Fazlollah, "Firm Says U.S. Urged Covert Plots," Philadelphia Inquirer, 26 April 1987, p. 1-A.

[1065]"Singlaub and Cline, Americans Involved in the Coup?" Philippine Daily Inquirer, November 17, 1986.

[1066]"What's General Singlaub Doing in Pasong Tamo?" Philippine Daily Inquirer, December 19, 1987.

media operations and disinformation campaigns, intelligence gathering, increased military advisers and CIA staff, and overflights.[1067]. Former intelligence personnel have noted the striking similarities to the CIA's Phoenix Program in Vietnam.[1068]

Thus, the Enterprise continues to be involved in criminal racketeering activity. The full range of these violations of law can only be uncovered and enjoined if the Plaintiffs are granted the relief sought in the accompanying filings: leave to file an amended complaint, lifting of the temporary restrictions on discovery and a continuation of the trial date.

DATED: March 25, 1988

Of Counsel:
Norma Kerlin
Daniel P. Sheehan
Lewis Pitts
Lanny Sinkin
Edith A. Holleman
Andrew S. Love
Donna J. Henderson

[1067]San Francisco Examiner, March 22, 1987.

[1068]Oltman and Bernstein, "The El Salvador of the Pacific: Counterinsurgency in the Philippines," Covert Action Intelligence Bulletin, Winter 1988.

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Filed December 12, 1986

Tony AVIRGAN, et al.,
Plaintiffs,

v.

John HULL, et al.,
Defendants.

_____/

AFFIDAVIT OF DANIEL P. SHEEHAN

Below, the Plaintiffs' attorney, Daniel P. Sheehan, sets forth for the Court in the following Affidavit, the explanation of the evidence presently in his possession -- which evidence does, in fact, rise to the level of "probable cause" to believe that the Defendants named in this federal civil lawsuit are guilty of the commission of the federal criminal violations set forth in the Amended Complaint of October 4, 1986. The Plaintiffs move that this Affidavit
of Counsel be deemed a Supplemental Filing to their October 4, 1986, Amended Complaint if the Court deems this to be legally required and that it be deemed
by the Court to set forth the evidentiary basis upon which a reasonable person -- drawing all logical inferences from the facts adduced in the direction of the Plaintiffs -- would

conclude that it is more probable than not that each of the Defendants named in this civil suit is guilty of violating the Federal RICO Statute and that each is civilly liable to the Plaintiffs Tony Avirgan and Martha Honey for having fortuitously contributed to the civil wrongs committed against them as charged in this Amended Complaint -- as Supplemented by the Affidavit of Counsel.

ATTORNEY DANIEL P. SHEEHAN

Now comes Attorney Daniel P. Sheehan, and having been duly sworn hereby swears and affirms that the following facts are true:

I am a duly licensed attorney at law, admitted to practice before the State and Federal Courts of the State of New York in both the Northern and Southern Districts of New York.

I am duly licensed and have been admitted to practice before the Courts of the District of Columbia, both local and Federal and I am in good standing before both the Bar of New York and the Bar of the District of Columbia.

I have practiced law before the courts of New York and numerous other states in our nation since 1970, having served as counsel in some 60 separate pieces of litigation in the states of New York, Pennsylvania, North Carolina, Virginia, the District of Columbia, Georgia, Florida, Oklahoma, Ohio, Colorado, Idaho, Nebraska, South Dakota, Wyoming and Mississippi;

I graduated from Harvard College in 1967 as an Honors Graduate in American Government, writing my

Honors Thesis in the field of Constitutional Law, and was the Harvard University nominee for the Rhodes Scholarship from New York in 1967. I graduated from Harvard School of Law in 1970, having served as an Editor of the Harvard Civil Rights-Civil Liberties Law Review and as the Research Associate of Professor Jerome Cohen, the Chair of the International Law Department of Harvard.

While at Harvard School of Law, I served as a summer associate at the State Street law firm of Goodwin, Proctor and Hoar under the supervision of Senior Partner, Donald J. Hurley, the President of the Boston Chamber of Commerce and Massachusetts Senatorial Campaign Chairman for John F. Kennedy. At this firm I participated in the case of BAIRD v EISENSTAT, under Roger Stockey, General Counsel for the Massachusetts Planned Parenthood League (establishing the unconstitutionality of the Massachusetts anti-birth control law) and in the Nevada case, under Charles Goodhue, III (establishing the constitutional right to bail in criminal extradition cases, including capital cases).

While at Harvard School of Law, I authored "The Pedestrian Sources of Civil Liberties" in the Harvard Civil Rights-Civil Liberties Law Review and I served under Professor Milton Katz, the President of the International Law Association, as the Chairman of the Nigerian Biafran Relief Commission responsible for successfully negotiating the admission of mercy flights of food into Biafra in 1968.

While serving as a Legal Associate at the Wall Street law firm of Cahill, Gordon, Sonnett, Reindel and Ohlo under partner Floyd Abrams and in association with Yale Law School Professor of Constitutional Law Alexander

Bickel, I participated in the litigation of such cases as the UNITED STATES v THE NEW YORK TIMES (establishing the constitutional right of The New York Times to publish the Pentagon Papers); UNITED STATES v BRANZBERG (litigating the First Amendment right of professional journalists to protect the identity of confidential news sources) and THE NEW YORK TIMES v THE JEWISH DEFENSE LEAGUE (establishing the right of newspapers to refuse to publish proffered paid political advertisements of their choosing).

While a Legal Associate of the Cahill, Gordon law firm, I was appointed by New York City Mayor John Lindsey to be Legal Counsel to the Inmate Association of the Manhattan House of Correction and was admitted to practice, pro hoc vice before the United States District Court for the Western District of New York with Professor Herman Schwartz in the case of IN RE ATTICA PRISON INMATES v MANCUSO (which caused the reversal of the official New York State Coroner's Autopsy falsely certifying that all 41 hostages held by the inmates at Attica prison had been killed by having their throats cut by the inmates -- whereas, in fact, all 41 hostages had been killed by the gunfire from New York State Police into Attica Prison's exercise yard from the parapets surrounding the prison.) During this period, I also served as public interest counsel in the case of CORTIGHT v. RESOR, (establishing the First Amendment Right to Freedom of Expression of US Servicemen); in the case of IN RE LINDA JENESSE (establishing the right of appearance on the ballots of New York of all candidates who obtained the legally required numbers of signatures on their petitions.) and in McGOVERN FOR PRESIDENT, INC. v MAYOR JOHN LINDSEY (establishing the First Amendment right of candidates for public office to the use of public park

facilities).

In 1972, I served as the New York States Assistant Campaign Director in Charge of Voter Registration for George McGovern for President and the New York State Democratic Party; and as Special Counsel to the Scott Commission associated with the Knapp Commission investigation of New York City police corruption.

I then practiced as Litigation Associate to F. Lee Bailey in the Boston Law firm of Bailey and Alch during the period when Gerald Alch was representing James McCord, the electronic eavesdropping specialist in the Watergate Burglary Case -- the man who wrote the letter to Judge John Sirica
revealing the direct involvement of then President Richard M. Nixon and high-ranking White House personnel in the unconstitutional Huston Plan and the unlawful cover-up activities in the Watergate Burglary Case.

I also served as Chief of Litigation for the national American Civil Liberties Union office in the Rocky Mountain States where I served as Chief Trial Counsel in some one dozen trials -- including the First Amendment criminal defense of the United Artist film "LAST TANGO IN PARIS"; the successful Federal Civil Rights Act civil prosecution of the members of the Idaho State Board of Education in LYMAN v SWARTLEY, et al. for the unlawful termination of American Federation of Teachers union organizer Rufus Lyman from the Idaho State University; UNITED STATES v STARR (dismissing Rap Brown Act charges against students arrested in Nebraska for endeavouring to attend funeral ceremonies in South Dakota for a member of the American Indian Movement killed at Wounded Knee.) In this and many other cases, I served as

Co-counsel to the National Native American Rights Committee for the National Office of the American Civil Liberties Union and as one of the Counsel in the United States Supreme Court case of MANCARI v MORTON (establishing the constitutionality of the preferential hiring of Native Americans by the National Bureau of Indian Affairs).

After attending Harvard Divinity School, I served as General Counsel to the United States Jesuit Headquarters' Office of Social Ministry in Washington, D.C., in which capacity I served as National Chairman of the Washington Inter-religious Staff Council's Task Force on Civil Rights and also as the National Chairman of the Washington Inter-religious Staff Council's Task Force on Criminal Justice. In this latter capacity, I served as the primary Washington, D.C., lobbyist for the national religious community in opposing the passage of Senate Bill One, the draconian Nixon-Mitchell Federal Criminal Code.

In this capacity I also chaired the Civil Liberties and Religious Community Briefing for United States Attorney General Griffin Bell in 1977.

Between 1976 and 1986, I served as Chief Counsel in the major environmental and civil rights case of KAREN G. SILKWOOD v THE KERR McGEE NUCLEAR CORPORATION.

Since 1980, I have served as General Counsel and Chief of Litigation for the Christic Institute, a 501 (c)(3) public interest law firm and interfaith public policy center in Washington, D.C., serving as Chief Counsel in such cases as THE PEOPLE OF THREE MILE ISLAND v THE GENERAL PUBLIC UTILITIES CORPORATION, (successfully enjoining the General Public Utility

Corporation from venting radioactive materials from the damaged Three Mile Island nuclear plant into the surrounding environment and compelling the corporation to undertake court-approved clean-up methods); the successful first degree murder defense of Mayor Eddie Carthan, the first elected black mayor in the Mississippi Delta since the Civil War; and the winning of the dismissal of all criminal charges against the staff of Catholic Bishop John Fitzpatrick of Brownsville, Texas, who had engaged in aiding Salvadoran refugees in their effort to obtain political asylum in the United States in the case of UNITED STATES v STACEY MERKT.

The Investigation Begins

During the course of investigating the case of UNITED STATES v STACEY MERKT, I was contacted, in March of 1984, in Brownsville, Texas, by a Protestant minister, Source #1, and was informed by this Protestant minister, that he had been contacted by an FBI field agent in the Brownsville area, Source #2, and had been informed by this FBI agent that this agent had been instructed by a superior in the United States Department of Justice, Source #3, that undocumented Central American refugees being transported into the United States by members of the Catholic Church participating in the Sanctuary Movement included "known communist terrorists" who constituted "a potential threat to the national security of the United States", in that such persons were potential participants in "military cadres" to be launched against United States military installations, domestic communications centers and domestic water resource systems -- "in the event that President Reagan had to initiate a direct military action by US forces into Central America, either into El Salvador or into Nicaragua." This Protestant minister, who was reported to

me by the professional religious personnel of Catholic Bishop John Fitzpatrick to be an honest and trustworthy source of information based upon their direct experience with him, informed me that he had been warned by this FBI field agent -- whom the Protestant minister, in turn, knew to be an honest and trustworthy source of information -- to avoid any contact with such undocumented Central American refugees being aided by the Catholic Church participants in the Sanctuary Movement, if the minister wanted to avoid being caught up in trouble, in the event that President Reagan was forced to undertake military action in Central America.

Being troubled by this report from an honest and trustworthy source, after I completed the Preliminary Hearing for Stacey Merkt before the Federal Magistrate in Brownsville, Texas, I returned to my office in Washington, D.C., and began a Preliminary Investigation to ascertain the source of this unfounded accusation against my church and against the members of the community of undocumented Central American aliens as I had come to know them.

In undertaking this Preliminary Investigation, I reached out to several experienced and trustworthy professional investigators and professional investigative journalists whom I was certain had trustworthy sources who could locate the origin of this accusation. Among these investigators were:

SOURCE #4, a licensed, professional private investigator who is the President of his State Association of Private Investigators, a member of his Governor's Private Security Advisory Group in his state, a former federal agent with a decade of experience working with members of the military intelligence community, the FBI, the Central Intelligence Agency, the US Customs

Department, the DEA and various State Bureaus of Criminal Investigation;

SOURCE #5, a former professional research specialist for a major national newspaper, a former Staff Researcher for a Sub-Committee of the United States House of Representatives directly involved in the congressional investigations relating to Intelligence Community and FBI abuses of citizens' rights and a man with many years of employment by professional law firms in Washington, D.C., as a researcher;

SOURCE #6, a professional investigative journalist previously employed as a staff investigator for syndicated columnist Jack Anderson, a staff member of the Washington, D.C.-based investigative journalist organization The Center For Investigative Journalism and a staff investigative journalist for CBS Evening News; and SOURCE #7, a former reporter with one of our nation's largest newspapers, a reporter for a national wire service and a staff investigative reporter for one of the national television networks.

At the end of March of 1984, I communicated to Sources #4, #5, #6, and #7 the information communicated to me earlier in March by Protestant Minister Source #1 and I asked them to ascertain for me the source of this accusation that the Catholic Church participants in the Sanctuary Movement were somehow involved in smuggling into the United States "known communist terrorists" who planned to form themselves, once inside the United States, into "military cadres" to undertake the launching of military assaults against U.S. military installations, domestic communication centers and domestic water resource systems -- in the event that President Reagan deemed it necessary to initiate direct military action by U.S. forces in Central America, either in El Salvador or in Nicaragua.

During the second week of April of 1984, I was informed by Source #4 that President Ronald Reagan had, on April 6, 1984, issued National Security Decision Directive #52 authorizing then Federal Emergency Management Agency Director Louis O. Giuffrida and his Deputy Frank Salcedo to undertake a secret, nation-wide, "readiness exercise" code-named "REX 84". This exercise was to test the "readiness" of the Federal Emergency Management Agency to exercise civilian supervisory authority over defense department personnel, the personnel of all 50 State National Guard units and numerous, state-based "State Defense Force" units (which were to be established, at the behest of FEMA, by state legislative enactments) -- in the event that President Reagan chose to declare a "State of Domestic National Emergency" concurrent with the launching of a direct United States military operation into Central America. This military operation was to be code-named "Operation Night-Train."

According to Source #4, the "mission" of the FEMA operation to be tested pursuant to this REX 84 readiness exercise was two-fold. First, the Federal Emergency Management Agency (after "deputizing" all DOD personnel and State National Grand personnel -- ostensibly so as to make such personnel "civilians," and to, thereby, avoid violating the Congressionally enacted Posse Comitatus Act) would undertake to test it's ability to seek out, and to take into custody, some 400,000 undocumented Central American aliens throughout the United States and, then, to intern said Central American aliens in ten military detention centers, to be established during this REX 84 readiness exercise at ten U.S. military bases throughout the United States. These undocumented Central American aliens were to be held at these detention centers during

any real such Presidentially deemed State of Domestic National Emergency, without the right of Habeas Corpus, until President Reagan declared the State of National Emergency to be at an end.

The second "mission" of the FEMA operation to be tested pursuant to this REX 84 readiness exercise was the distribution -- by FEMA, from U.S. military bases under the supervision of the United States Department of Defense, through the State National Guard Units, down into the hands of the civilian, state-legislature-created State Defense Forces -- of hundreds of tons of small arms and ammunition, ostensibly to be used by their civilian domestic law enforcement "deputies" to enforce domestic laws, during the pending of the Presidentially declared State of National Emergency.

The interest of the Christic Institute focused primarily on the first of the two "missions" assigned to FEMA by this April 6, 1984 Presidential National Security Decision Directive. This first mission was of direct immediate, interest to our law office in attempting to evaluate the "state of mind" and attitude of the Justice Department personnel who were to be "fielded" against us in the prosecution of the Sanctuary Movement personnel we were retained by the Catholic Church to defend in Texas.

Upon learning of the existence of this REX 84 readiness exercise, I reached out, through Sources #4, #5, #6, and #7 to find an "inside source" at FEMA to either confirm or deny the intelligence information conveyed to me by Source #4 regarding the planned readiness exercises named REX 84.

During the third week of April of 1984, Source #7 obtained for me an introduction to Source #8 -- a member

of the Legal Division of the Federal Emergency Management Agency, the office headed up by FEMA General Counsel George Delt.

Source #8, who was known by Source #7 to be an honest and trustworthy source of information based upon Source #7's direct experience with him, was shocked that I had such accurate information concerning the content of Presidential National Security Decision Directive #52, but he expressly confirmed the accuracy of the intelligence report given to me by Source #4 concerning the two-fold mission of REX 84.

Source #8 expressed directly to me a high degree of fear and anxiety about the legality of what was being planned by FEMA General Counsel George Jett, FEMA Director Louis O. Giuffrida and FEMA Deputy Director Frank Salcedo.

Source #8 reported to me that he had never before seen inside FEMA such an intense level of security concerning any program. Source #8 reported to me that FEMA General Counsel George Jett had ordered the installation of a special metal security door into the hallway on the fifth floor of the FEMA building in Washington, D.C. -- behind which door all of the planning for REX 84 was being conducted. Indeed, Source #8 reported to me that even long-standing employees of the civil defense division of the Federal Executive Department possessing the highest possible security clearances were not being allowed through the newly-installed metal security door on the fifth floor of the FEMA building to have access to the planning of REX 84. Source #8 reported that only FEMA Director Louis O. Giuffrida, his Deputy Director Frank Salcedo, FEMA General Counsel George Jett -- and a few other men

whom Source #8 noticed all wore a small red Christian cross, or crucifix pin, on the lapel of their suits -- were even allowed through the metal security doors on the fifth floor of the FEMA building to have access to REX 84 information.

Through a Source #9, I was able to obtain a series of Federal documents from inside FEMA which tend to confirm the above-reported description of the FEMA activities reported to me during April of 1984.

In early May of 1984, I was supplied by Source #4 with a number of documents describing, in some detail, a project supervised by then Special Assistant California State Attorney General Edwin Meese code-named "Project Cable Splicer". This project, undertaken by Edwin Meese, under the direction of then California Governor Ronald Reagan, took, then California Organized Crime Training Institute Commandant, Louise O. Giuffrida from his post in San Luis Obispo and made him the Commanding General of the California State National Guard. At the California Organized Crime Training Institute, Commandant Louis Giuffrida had been the Instructor in Civil Disorder Control. As Commanding General of the California State National Guard, Louis Giuffrida coordinated Project Cable Splicer for Special Assistant Attorney General Edwin Meese and Governor Ronald Reagan.

Project Cable-Splicer was a special "war-games" readiness exercise pursuant to which Governor Reagan, Special Assistant Attorney General Edwin Meese and California State National Guard Commander Giuffrida could, together, establish an effective state of state-wide martial law "in the event that forces of radical black nationalism joined forces, inside the State of California, with the anti-Vietnam forces to challenge the established

authority of the State." Project Cable Splicer was part of a larger program, code-named "Project Garden Plot" -- which was a nation-wide war-games scenario prepared by then President Richard M. Nixon and his Attorney General John Mitchell designed to establish a nation-wide state of martial law if Richard Nixon's "political enemies" required him to declare a State of National Emergency.

"State Defense Forces" and a "Guns for Contras" Scam

In mid-May of 1984, I was informed by Source #10, who was a professional journalist in New Orleans, Louisiana, that he had learned that the State Legislatures of Louisiana, Alabama and Texas had sometime around April 1984 or May 1984 each passed legislation establishing units known as "State Defense Forces". Source #10 informed me that he was extremely concerned about this because the only people in Louisiana, Alabama or Texas who seemed to have heard of the passage of these statutes -- and who were, therefore, signing up to join these State Defense Forces -- were ultra right-wing para-military "survivalist-types", or "soldiers-of-fortune-types", who were being advised to
sign up for these State Defense Force units at weekend Survivalist Training Centers or ultra-right "war-game" schools.

Source #10 informed me that this concern on his part had caused him to undertake an investigation to ascertain what was going on regarding the State Defense Force units in Alabama, Louisiana and Texas. Source #10 informed me
that he had discovered that a group of men in Texas who had all signed up for the Texas units had been expelled by the Texas National Guard for being too radically right wing. This investigation led him to a Louisiana State National Guard Colonel, Source #11. Source #10

informed me that this Louisiana State National Guard Colonel had informed Source #10 that the State Defense Force unit in Louisiana was -- in the near future -- (this being in May of 1984) going to be receiving a large quantity of small arms and ammunition "in some kind of war game activity" supervised by the Federal government -- but that the State Defense Force in Louisiana "was only going to have to give back half of the arms and ammunition received in the war-games. The half which were left with them were going to be smuggled out of the country to the Contras in Central America." This was to be achieved, according to the Colonel, by re-valuing the weapons, while in the field, from "manufacturer's" value to "replacement value", and then collecting the same dollar value, as was originally distributed at the outset of the war-game.

Source #10 informed me that this Colonel had been proven, repeatedly, to be a reliable source of accurate information, and that the arms and ammunition which were to be left in the hands of the Louisiana State Defense Force Units were to be secretly transported to a Louisiana warehouse owned or supervised by a Louisiana state legislator (who had been active in obtaining the passage of the State Defense Force statute). This legislator's name was "Woody" Jenkins. The Colonel reported that from that point, the arms and ammunition would be airlifted (mixed in with "humanitarian" aid for the Contras in Central America) to Central America and given to the Contras -- "because the liberals in Congress had cut off the Freedom Fighters when the CIA got caught mining the harbors in Nicaragua".

My own investigations revealed the existence of one "Woody" Jenkins in Louisiana, a man who was a Louisiana

State Legislator of ultra right-wing political persuasion, who was running an allegedly "humanitarian aid" airlift to the Contras known as "Friends of the Americas."

I informed Sources #4, #5, #6, and #7 of the information communicated to me by Source #10 and asked them to undertake inquiries to ascertain if any similar activity was under way in either Texas or Alabama.

I was immediately informed by Source #7 that he was aware of a similar type of operation functioning in the state of Alabama. Source #7 told me the following information:

American Mercenaries and the Contras

That immediately prior to the Christmas holiday of 1983, Source #7 had been contacted by a fellow professional journalist, Source #12, who had just returned home from a trip to Miami, Florida, where she had learned of the location of a Contra military training camp in the vicinity of Miami. She had learned that, in this camp, men were being trained on United States soil to undertake direct military attacks upon the citizenry and economic infrastructure of Nicaragua. Source #12 informed Source #7 of the location of this Contra training base near Miami and suggested that Source #7 undertake a trip to this Miami area Contra training camp to interview the men training persons there and the men being trained.

Source #7 traveled to the location described to him by Source #12 in the vicinity of Miami, Florida over the Christmas holiday of 1983 and found the Contra military training camp there, exactly as described to him by Source #12.

Source #7, being fluent in both English and Spanish, interviewed men doing the military training of Contras at this Miami vicinity base and the men receiving the Contra training over the 1983 Christmas holiday period.

A Honduran Meeting

During these interviews, Source #7 learned that there was a contingent of former U.S. military personnel and active members of various U.S. State National Guard units who were planning to organize an unlawful, American-based, para-military organization to train, equip, and finance -- from U.S. soil -- and actively to participate in military field operations with the Contra forces in Central America against the U.S.-recognized Government of Nicaragua. During these interviews, held at the Miami area Contra military training base by Source #7 during the 1983 Christmas holidays, Source #7 learned that the U.S. citizens who were organizing this unlawful American-based para-military organization to be established to aid the Contras from U.S. soil, were planning to hold a meeting at a particular hotel located in Tegucigalpa, Honduras in January of 1984 to finalize specific plans for obtaining U.S. military equipment for and providing other federally prohibited aid to the Contra Forces.

Having failed to obtain permission from his United States based newspaper to attend and to report on, this planned January 1984 meeting of U.S. citizens at the Tegucigalpa hotel, Source #7 took a temporary leave of absence from his newspaper and financed his own trip to Tegucigalpa in January of 1984.

In January of 1984, Source #7 travelled to

Tegucigalpa, Honduras, and registered at the hotel described to him in interviews held at the Miami Contra training base during the Christmas holidays of 1983. While sitting in this hotel lobby, Source #7 observed numerous white adult male U.S. citizens speaking English and dressed in various forms of camouflage and war surplus U.S. military garb.

During his prolonged period of observation in this hotel lobby in Tegucigalpa, Honduras, during January of 1984, Source #7 struck up a conversation with a white adult male United States citizen who was a participant in the para-military group meeting transpiring at the hotel.

Source #7 informed this person that Source #7 was an American writer interested in understanding and publicly reporting on what was transpiring at this Honduran hotel.

The white adult U.S. male with whom Source #7 had struck up this relationship was Thomas Posey - the Defendant in the present Federal civil lawsuit.

During these January, 1984 conversations at the Tegucigalpa Hotel with Source #7, Defendant Thomas Posey described, in some detail, the entirely illegal plan of action being developed by the U.S. participants in the January 1984 meetings in Honduras. Defendant Posey described how he and his associates were organizing an American-based group -- which was named the Civilian Military Assistance organization -- the mission of which was to recruit, train, finance, supply and to launch, from United States soil, a foreign military expeditionary force, consisting of U.S. citizens who were former members of the United States armed forces and present members of various state National Guard units and anti-communist

Cubans, Nicaraguans and other Central Americans who wished to undertake direct military action to overthrow the socialist government in Nicaragua.

During these January, 1984 conversations with Source #7, Defendant Posey expressed his opposition to the public policy and laws of the United States Congress regarding Nicaragua, stating that Defendant Posey and his Civilian Military Assistance organization were going to organize and prosecute the war against the government of Nicaragua which the United States Congress did not have the political conviction to allow the official United States military to prosecute.

Between January of 1984 and mid-May of 1984, Defendant Posey had several conversations with Source #7 during which conversations Defendant Posey openly admitted his unlawful activities supplying military equipment and explosives to Contra military and terrorist units in both Honduras and Costa Rica -- with the express understanding and intention that this military equipment would be used against the unarmed civilian population inside Nicaragua to terrorize the people and to destabilize the government of Nicaragua. Indeed Defendant Posey openly solicited Source #7 to prepare and to publish, within the United States, reports of Defendant Posey's convictions and activities -- so as to assist Defendant Posey in his recruitment of U.S.- based contra supporters and in his raising of money.

Source #7 personally attended Executive Committee sessions of the leadership of the Civilian Military Assistance organization and personally observed and heard planning sessions in which overtly criminal operations were planned and agreed to by Defendant Posey, between January and May of 1984. These activities Source #7

reported to me in May of 1984, requesting my analysis of the unlawful nature of the activities of Defendant Posey and his associates in the Civilian Military Assistance organization. I provided this legal analysis, pointing out that their activities constituted a direct criminal violation of numerous federal criminal statutes, including the Federal Neutrality Act, the Federal Arms Export Control Act, various Federal Firearms and Explosives Statues and other Federal and State laws.

An American Mercenary's Diary

Through Source #7, I was introduced to Source #13, a direct participant in the high-level planning and execution of the criminal conspiracy of Defendant Posey and his associates in the Civilian Military Assistance organization.

Source #13, prior to the filing of the Civil Complaint in this case, described for me, in detail, the Federal Criminal activities of Defendant Thomas Posey regarding the obtaining of allegedly "surplus" U.S. military equipment from the 20th Special Forces Unit of the United States Army in Alabama and the obtaining of access to an allegedly "surplus" U.S. Armed Forces airplane in New Jersey in which to transport this material from U.S. territory, via Ilopango Air Base in El Salvador to Costa Rica, Honduras, and Nicaragua. Source #13 described personally seeing crates of U.S. military equipment (clearly marked as such) stacked in the private garage of Defendant Thomas Posey awaiting transfer to the state of Florida, where the military material was to be secretly flown to Ilopango Air Force Base for transhipment to contra forces in Costa Rica and Nicaragua.

Indeed, Source #13 personally informed me of the

existence of his hand-written daily diary -- into which he had made regular contemporaneous daily entries from a period in 1983 all the way to 1986. He described certain events memorialized in this diary -- and I have personally reviewed a xerox copy of this diary. Details taken from Source #13's statements to me and from his diary are set forth below in this Affidavit.

During my conversations with Source #13, he informed me that he was aware of the identity of several men who had personally participated in the transporting, loading, and flight of forbidden military equipment from the State of Florida, to Ilopango Air Force Base in El Salvador, and from there, onto the Costa Rican ranch of an American by the name of John Hull. This is the same John Hull who is named as a Defendant in the present Federal Civil lawsuit.

The men named by Source #13 are Source #14, one Jesus Garcia; Source #15, one Steven Carr; Source #16, one Peter Glibbery; Source #17, one Jose Cotine; Source #18, one Alan Saum; and Source #19, another individual with direct personal knowledge of these illegal weapons and explosives transactions.

Either I, or one of my investigators or associates, have personally interviewed each of Sources #13, #14, #15, #16, #17, #18, and #19 -- or they have been directly interviewed by Source #20, Attorney John Mattes, the Assistant Federal Public Defender in the United States District for Southern Florida or his professional investigator, Source #21. The content of these interviews have been communicated to me. These interviews set forth the first direct, first-hand, knowledge of Sources #13, #14, #15, #16, #17, #18, and #19 of the participation of Defendants Thomas Posey, John Hull and Bruce Jones in the Federal Criminal Conspiracy to violate the Federal

Neutrality Act and the Federal Arms Export Control Act described in the Plaintiffs' Amended Complaint. These facts, and the specific sources of the these facts will be set forth below.

In June of 1984, I left Washington, D.C., to travel to the United States District for Southern Texas, Brownsville Division, where I served as Chief Trial Counsel in the case of United States v. Stacey Lynn Merkt, et al.

A White House Connection: North, Posey and Owen

Upon returning to Washington, D.C., in late June of 1984, I was contacted by Source #7 and was asked to meet with him. In this meeting, Source #7 informed me that, during the month of June of 1984, Source #7 had been contacted by Defendant Thomas Posey, who had arrived in Washington, D.C. Source #7 stated that he had met with Thomas Posey, in Washington, D.C., in June of 1984, and that Defendant Thomas Posey had physically introduced Source #7 to one Robert Owen -- the same Robert Owen who is named as a Defendant in the present Federal Civil Lawsuit.

Source #7 stated to me, in June of 1984, that Source #7 had met with Defendant Robert Owen and Defendant Thomas Posey in a public park in Washington, D.C., in June of 1984 and that Defendant Robert Owen, at that time, stated to Source #7 that Robert Owen was a purely private citizen who was acting solely in his purely private capacity to meet with the military and political leadership of the Contras to communicate to them political advice as well as to advise them in regard to what military equipment they might need to carry out their military operation against the Nicaraguan Government. During this June, 1984 public park meeting with Source #7,

Defendant Robert Owen also stated that Defendant Owen was "taking orders" for weapons, military equipment and explosives from the Contra military commanders in Central America and seeing to it that their orders were filled and that the material was, in fact, supplied to the Contras in Central America.

Then, during this same public park meeting with Source #7 in June of 1984, Defendant Robert Owen expressly stated to Source #7 that Defendant Robert Owen was "the personal representative to the Contras of Marine Corps.
Lt. Colonel Oliver North, the Deputy Director of the United States National Security Council for Political-Military Liaison" and that Defendant Owen was acting privately to meet with the Contra Field Commanders as the "go-between" for Lt. Colonel North -- because Lt. Colonel North could not meet directly with the Contra leaders, in light of the United States Congressional ban against direct or indirect support being provided to the Contras by the Executive Branch of the United State government.

At this meeting with Source #7 in June of 1984, Defendant Robert Owen told Source #7 that Lt. Colonel North wanted Source #7 to travel to Costa Rica and there to attend, and then to file a published report concerning, a secret meeting which was to be held in Costa Rica among disparate Contra factional leaders seeking to form a group to be called UNO -- the United Nicaraguan Opposition. This was to be a coalition group of heretofore contesting Contra military leaders whom Colonel North wanted to unify, in order to increase the chances of the Administration to win Congressional approval to re-commence direct CIA funding and sponsorship of the anti-communist Contra forces.

Source #7 was surprised by the revelation made to him by Defendant Robert Owen -- so he sought me out immediately upon my return from Texas to discuss the legal implications of what he had learned.

After my late June 1984 discussion with Source #7, I prepared a legal opinion for Source #7. This legal opinion was provided to Source #7, a professional journalist, with a view towards establishing a full scale investigation to inquire into -- and to expose -- what was going on out of the White House office of Lt. Colonel Oliver North and in the states of Florida, Alabama, and Texas among these private para-military organizations and State National Guard forces.

During July of 1984, I traveled to the United States Middle District of North Carolina to conduct the depositions of members of the Ku Klux Klan, the American Nazi Party, the Federal Bureau of Alcohol, Tobacco and Firearms of the United States Department of the Treasury and the Greensboro City Police Department who had participated in the planning and execution of the armed assault upon the Workers Viewpoint Organization Anti-Klan March in which marchers were murdered in 1979. I was,therefore, absent from Washington until the end of 1984.

Indeed, throughout the first half of 1985, I was engaged full-time as Chief Counsel in the prosecution of the federal civil case of Waller v. Butkavitch, et al. in North Carolina.

Official, Covert U.S. Government Aid to Contras

Upon my return to Washington, D.C., in the second

half of 1985, I met with my sources involved in the Posey-Hull investigation -- and I was informed that an American ABC television cameraman had been very seriously injured in a May, 1984 terrorist bombing attack of the public press conference called by former Sandinista military commander Eden Pastora to denounce Adolfo Calero, Calero's FDN Contra organization, and the American Central Intelligence Agency for trying to destroy Pastora's independent and nationalist Nicaraguan anti-Sandinista force based in Costa Rica. I was informed by my sources that this American ABC television cameraman had discovered that he had been injured in an attack planned by Defendant John Hull and a Costa Rican-based anti-Sandinista terrorist group supplied with C-4 explosives by Defendants Thomas Posey, John Hull and Bruce Jones.

I expressed interest, on behalf of the Christic Institute, in hearing from this ABC television cameraman named Tony Avirgan, and I was, soon thereafter, contacted by Mr. Avirgan.

In my 1985 conversations with Tony Avirgan, with his fellow journalist wife Martha Honey -- and with sources who were in direct contact with them -- I learned the following facts -- the particular sources for which will be described later in this Affidavit.

That on July 17, 1979, Nicaraguan Dictator Anastasio Somoza fled Nicaragua in the face of virtual universal condemnation of his dictatorial and unjust regime, his unjust conduct having resulted, in early 1979, in the total cut-off of all military assistance to his regime by United States President Jimmy Carter under the dictates of the Congressional Harkin Amendment (prohibiting any U.S. military aid to any regime found to

have systematically violated the human rights of its own citizens).

Somehow, after the U.S. cut-off of military aid, Dictator Somoza had found another source of U.S. military equipment which enabled him to remain in office until July 17, 1979.

After his flight from Nicaragua, in July of 1979, former Dictator Somoza set up several of his dreaded National Guard Generals in Honduras, the neighboring country of Nicaragua, and proceeded to supervise them in the mounting of a "Contra" military operation against the 1979-officially-U.S.-recognized government of Nicaragua. No one seemed to know from whence these "Contra" forces (as they came to be called) were receiving their financing or their military supplies.

This "Contra" operation functioned under the direction of former Dictator Somoza himself until he was assassinated in September of 1980 in Paraguay. The operation was, then, taken over and run by his former generals from 1980 to 1981.

Still, no one knew who was funding or supplying this Contra force with military equipment.

When Ronald Reagan took office as President of the United States in January of 1981, a series of White House meetings took place -- attended by White House Chief of Staff Edwin Meese; White House National Security Advisor Richard Allen; United States CIA Director William Casey; United States Vice President (and Chairman of the National Security Council Task Force on Terrorism) George Bush -- and President Ronald Reagan himself. In these meetings, it was discussed, and later

agreed, that the United States CIA, under the direction of CIA Director William Casey, would "take over" the secret funding and military supply of the Honduran-based, "Contra" forces.

Reagan Orders the CIA to Back the Contras

In June of 1981, President Ronald Reagan signed a classified National Security Decision Directive expressly authorizing and directing United States Central Intelligence Agency Director William Casey to undertake the direct financing, training and military supply of the Honduran-based Contra forces -- but directing CIA Director William Casey to inform the contending Contra leadership that such CIA funding and supply of military equipment to the Contras was to be conditioned upon the Contra military commanders organizing themselves into a coherent and co-operative unified coalition through which a centralized system of financing and supply could be conducted by the Central Intelligence Agency.

In June of 1981, United States Central Intelligence Agency Director William Casey assigned to CIA agent Vincent M. Cannistraro the task of supervising the CIA supply of funds and military equipment to the Central American Contras. This operation began in June of 1981.

This operation proceeded, apace, throughout 1981 and into 1982 -- with United States President Ronald Reagan repeatedly publicly denying to the American people any CIA or White House involvement in supplying, training or funding the so-called Contra forces in Central America.

When press investigations and U.S. Congressional

inquiries publicly exposed the fact that the White House was secretly funding and supplying the Contras, President Reagan admitted the existence of "minor" assistance to the Contras by the CIA -- which assistance, President Reagan asserted, was limited solely to aiding the Contra in "interdicting the supply of weapons and military equipment flowing from the Sandinista government of Nicaragua to the anti-government forces in El Salvador."

When U.S. press and Congressional members pressed the Executive Department for proof of any such White House alleged gun shipments, the Central Intelligence Agency assigned CIA agent David McMichaels to prepare a CIA Report establishing such traffic. When CIA agent David McMichaels reported that there was no evidence to support the conclusion that any such weapons trafficking existed from the Nicaraguan government to the anti-government rebels in El Salvador, the CIA fired agent McMichaels.

President Reagan then altered his public position on the Contras again. This time, he asserted that the CIA was being authorized by the White House to support the Contras only to the degree necessary "to place military pressure on the government of Nicaragua 'to reform itself' to live up to the promise of the pluralistic society, economy and form of government 'promised' to the people of Nicaragua by the Sandinistas when they led the revolution against Somoza."

In 1983, the United States Central Intelligence Agency was caught, and publicly exposed, for having placed explosive mines in the civilian harbors of Managua -- and for passing out "manuals" to the Contras openly advocating the physical assassination of civilian government authorities inside Nicaragua to bring about the overthrow

of that government. Both of these acts were violations of international law. President Reagan, therefore, finally publicly acknowledged that it was his objective to violently overthrow the officially-recognized government of Nicaragua, "to prevent the establishment in Latin America of a Soviet military base."

A Congressional ban on "Direct or Indirect" Aid

After a national and international uproar over the conduct of the American CIA, Congress began to draft a piece of legislation to order the cut-off of all military assistance -- both direct and indirect -- by the United States Executive Department to the Central American Contras.

The "Privatization" of the Contra War

Upon learning of this plan of Congress, White House Chief of Staff Edwin Meese, Vice President Bush, Central Intelligence Agency Director William Casey, National Security Advisor Robert McFarlane and NSC staff member Lt. Colonel Oliver North met and devised a method for intentionally circumventing this Congressional ban.

In these meetings, this group decided to have Lt. Colonel Oliver North establish contact with the secret group of private individuals who had financed and supplied the military equipment to the Contras prior to June of 1981 -- and to notify them that the White House and the CIA would no longer be allowed to fund and supply the arms and
military equipment to the Contras after March of 1984.

In these meetings, this group also decided to have Lt. Colonel Oliver North establish contact with Gray &

Company (a Washington, D.C.- based public relations and advertising organization) and to have Rob Owen of that organization set up a private citizen-operated Contra support group to publicly solicit funds and assistance for the Contras after the up-coming prohibition of White House aid to the Contras. This operation would give a feasible explanation for the source of the funding and supply of the Contras -- so that Congress and the press would not conclude that the CIA was still supplying the Contras.

This public organization was set up by Rob Owen by contacting General John K. Singlaub -- who, in turn, set up the United States Council on World Freedom and began publicly raising funds for the Contras.

The Hull Terror-Drug Operation: A Defector's Story

From my late 1985 conversations with Tony Avirgan, Martha Honey and their sources, as well as from my direct personal conversations with one Carlos Rojas Chinchilla, Source #25, I next learned the following facts:

That in March of 1985, Carlos Rojas Chinchilla, a gainfully-employed professional carpenter residing in the city of San Jose, Costa Rica, was present at a public restaurant and bar named the Rendezvous Bar located a few blocks from the United States Embassy in Costa Rica.

While present in this bar, after finishing work, Carlos Rojas Chinchilla personally witnessed three men come into the Rendezvous Bar.

He saw them stop in the doorway for a short conversation and then Carlos saw two of the men leave the bar. The third man was left standing in the doorway.

After a few moments of standing in the doorway, watching the two other men depart down the street in the direction of the U.S. Embassy, the man who had remained behind in the doorway of the bar turned and began surveying the persons present in the bar.

This man's survey finally came to rest upon Carlos, and the man briskly walked from his watch at the doorway and moved into the bar to the table where Carlos sat.

The man told Carlos that his name was David, Source #26, and that he had gotten himself involved in a situation from which he needed someone's assistance to escape.

David explained to Carlos that David and his brother were Nicaraguans who had joined the Contra forces in Costa Rica to fight against the Sandinista government in Nicaragua. David explained that David had, somehow, come to be part of a Special Unit of the Contra forces in Costa Rica which made up a sort of "International Brigade" physically based on the ranch of an American rancher by the name of John Hull. David told Carlos that this American rancher was the supervisor of this Special Unit or International Brigade and that the group operated from John Hull's main ranch and other properties, some of which were located on the northern-most boundary of Costa Rica abutting the river which constitutes the southern border of Nicaragua.

Cocaine and a Plan to Assassinate a U.S. Ambassador

David told Carlos, in this early 1985 meeting, that this International Brigade supervised by John Hull had been directly responsible for the May 30, 1984 bombing of the Eden Pastora press conference -- and that the same group was, at that very moment, actively engaged in going

forward with a plan to carry out a terrorist bombing of the United States Embassy in San Jose, Costa Rica and a plan to assassinate the new United States Ambassador to Costa Rica, Lewis Tambs.

David stated to Carlos that the two men with whom David had arrived at the bar were, at that moment, "casing" the U.S. Embassy down the street in preparation for the future bombing of the installation.

David explained to Carlos that the International Brigade supervised by John Hull and housed on his ranch to the north of San Jose was directly involved in the trans-shipment of large quantities of Colombian cocaine from the airstrips on John Hull's farm (airstrips which had recently been lengthened and improved to accommodate aircraft arriving at John Hull's ranches with loads of military equipment, weapons, ammunition and explosives). Other sources informed the Plaintiffs that this cocaine came from one Jorge Ochoa and one Pablo Escobar, the two largest cocaine producers and exporters in Colombia -- and that the cocaine was being moved from John Hull's ranch into the United States where it was sold, a portion of the profits going to John Hull and his International Brigade to help finance the guns, ammunition and explosives being used in their military effort against the government of Nicaragua.

David told Carlos that in addition to bombing the Embassy, the International Brigade intended to kill a U.S. diplomat who he later identified as Ambassador Lewis Tambs. David told Carlos that the bombing and the assassination of Tambs would be made to look like the work of the Sandinista government of Nicaragua in an effort to instigate direct military action by the United States against Nicaragua.

Other sources later told the Plaintiffs that the International Brigade was also aware that Pablo Escobar had put a $1,000,000 dollar "bounty" on the head of

Ambassador Lewis Tambs. Escobar was reportedly infuriated at the efforts made by Tambs, when Tambs was U.S. Ambassador to Colombia, to obtain an extradition treaty between Colombia and the U.S. which would allow the extradition of Escobar and other cocaine traffickers to the U.S. for prosecution for drug smuggling. The International Brigade hoped to additionally collect the $1 million bounty to aid them in their purchase of military equipment for use in their military effort against Nicaragua.

David told Carlos in this conversation that David did not want to participate in this International Brigade any longer -- that he did not support the activities of the group directed against the U.S. Embassy and Ambassador Tambs and he did not support the activity of the group involved in drug smuggling to finance their operations.

But David told Carlos that David needed help in escaping from the group -- that everyone in the group was watched by everyone else, as a precaution against dissention and revelation of their activities. David needed an "outside" person, someone who could help David and his brother (who was fighting elsewhere with the Contras), escape without observation by members of the International Brigade. David asked for Carlos' help.

Carlos refused, pointing out to David that Carlos was a married man, with a wife and three children -- and that Carlos lived in a small row house with his wife's beauty shop on the ground floor, a place where any stranger, such as David or his brother would surely be noticed if they tried to hide there.

David pleaded for Carlos to help and told Carlos to look for him around the Embassy or at a town in northern Costa Rica, if Carlos decided to help him.

Then David was gone, as the two men with whom he had arrived returned.

Carlos went out of the bar after the men left and saw them enter a large, gray car, without any license plates, and depart.

Carlos went to the home of his mother and informed her as to what had occurred and sought her advice. She directed him to stay out of it and to do nothing.

In a move to enforce Costa Rica's official policy of neutrality towards Nicaragua, Costa Rican Rural National Guardsmen raided, in late April 1985, a contra camp located on property near the Nicaragua border managed by John Hull. They arrested nine Nicaraguan contras, five foreign mercenaries including two Americans, and seized significant
amounts of guns, cannons, ammunition and explosives. This equipment included guns and military equipment smuggled from Florida's Ft. Lauderdale Hollywood Airport on March 6, 1985, by Sources #14, #15, #16 and #17, and Defendants John Hull, Bruce Jones and Thomas Posey.

Indeed, specific weapons expressly purchased and registered in the United States by Defendant Thomas Posey were seized by the Costa Rican Rural Guard on John Hull's ranch in early 1985, and are presently available as evidence.

When Carlos Rojas Chinchilla learned of this Rural Guard action, he realized that the description of the ranch, the name of the owner of the ranch and the description of the man arrested and the equipment seized all matched, exactly, the description of the International Brigade described by David to Carlos in their early 1985 meeting at the Rendezvous Bar.

This caused Carlos grave concern, since this

ability of David to describe so exactly the characteristics, equipment and locale of the International Brigade arrested by the Costa Rican Rural Guard convinced him that David had communicated to him equally accurate information about the plans of the group to bomb the U.S. Embassy and to assassinate U.S. Ambassador Lewis Tambs.

Following the arrest of the mercenaries on Hull's property, Carlos Rojas Chinchilla realized that David's story had some basis in fact. He sought the counsel of the only North American he knew, a woman neighbor married into a Costa Rican family friendly with his family. Carlos communicated the information to the members of this North American family, Sources #29, #30, and #31, which had been told to him by David.

As it turned out, the daughter of this North American family, Source #31, knew the Plaintiffs Tony Avirgan and Martha Honey and, following her receipt of this information from Carlos, Source #31 contacted Tony Avirgan and Martha Honey and informed them of the content of the meeting between Carlos and David.

Tony Avirgan and Martha Honey, through Source #31, contacted Carlos Rojas Chinchilla in 1985 and persuaded Carlos to attempt to reestablish contact with David.

In 1985, Carlos did reestablish contact with David -- and, at the request of Tony Avirgan and Martha Honey, Carlos met with David and asked David to explain, in detail, the information David possessed about the La Penca bombing, about the activities of the so-called "International Brigade" of Contra supporters operating from John Hull's Costa Rican ranch -- and about what David knew about the future plans of this Brigade.

In a series of meetings between David and Carlos held over the ensuing weeks, David shared with Carlos the information which follows -- some of which was tape recorded by Carlos and some of which Carlos orally repeated to Tony Avirgan, Martha Honey and Source #31 immediately after his interviews with David.

Both Tony Avirgan and Martha Honey spoke, by telephone, with David, confirming his existence, his name and his possession of the general information set forth below. But David would not meet directly with the journalists. However, Plaintiff Avirgan did physically see David at a distance, meeting with Carlos, on one occasion -- from which meeting Carlos returned and shared more information with the Plaintiffs which came from David.

In his direct interviews with David, Carlos was given the following information -- which fact Plaintiffs' Counsel has personally confirmed from direct interviews with Carlos.

David told Carlos that David and his brother, who were Nicaraguan citizens, had grown disillusioned with the Sandinistas government in Nicaragua, and left Nicaragua and had joined the Contra forces based inside Costa Rica.

David's brother was no longer with David, but was, rather, off fighting somewhere else with the Contras against the Nicaraguan government.

David had somehow come to be assigned to a group of men made up of Nicaraguan Contras, ex-patriot Cubans from Miami, foreign mercenaries, and soldier of fortune types who were based upon the cattle ranch and citrus farms owned or managed, directly on the Costa Rican side

of the Costa Rican-Nicaraguan border, by a millionaire American rancher by the name of John Hull, the same John Hull named as a Defendant in this suit.

Working with John Hull was another American rancher who owned a ranch near that of John Hull. This man's name was Bruce Jones, and is the same Bruce Jones named by Plaintiffs as a Defendant in this suit.

Both Hull and Jones had earlier been directly associated with agents of the American Central Intelligence Agency and had given over their ranches as "staging areas" for the landing and off-loading of American CIA-supplied weapons and ammunition which were being supplied by John Hull to the Contra forces based in Costa Rica and just across the border inside Nicaragua. This information came from sources other than David, prior to contact with David.

David was a part of this "International Brigade" of Contras and mercenary Contra-supporters and shared the Contra desire to overthrow the Nicaraguan Sandinista government by military force.

However, in 1983, one of the Costa Rican-based military commanders of the Contras, who was being supplied with military equipment by the American CIA through John Hull, one Eden Pastora, began to have difficulty with Hull and the CIA's man who was repeatedly on John Hull's ranch. This CIA man was one Duane "Dewey" Claridge. As a result, the CIA kept starting, and then stopping, the supply of arms to Eden Pastora. Hull and Dewey Claridge were angry with renegade Contra commander Pastora, because Pastora would neither accept supervision from American CIA personnel sent in to Costa Rica to provide "advice" to Pastora, nor would Pastora

agree to integrate his Costa Rican-based Contra forces into a unified Contra command under the leadership of the Honduran-based FDN led by one Adolfo Calero and former Nicaragua dictator Anastasio Somoza's former National Guard generals. (This information came from sources other than David -- prior to David's contact with Carlos -- as did the information in 50.8 to 50.10 below.)

In mid-1983, a number of Cuban-Americans from Miami arrived at John Hull's ranch and asked John Hull to arrange a meeting between these Cuban-Americans and representatives of Contra commander Eden Pastora -- with a view toward Pastora's agreeing to allow these Cuban-Americans to bring down to Costa Rica a number of their Miami-based Cuban-American associates to fight against the Sandinistas as part of Eden Pastora's ARDE forces.

Contra Cocaine to the U.S.

When this request of the Cuban-Americans was rejected by Pastora in May or June of 1983, two of these Cuban-Americans, one Felipe Vidal and one Rene Corbo began setting up a cocaine trans-shipment operation on John Hull's ranch.

Felipe Vidal and Rene Corbo coordinated the landing of small planeloads of cocaine flying onto John Hull's ranch --and onto the numerous other ranches "managed" by John Hull which were adjacent to Hull's ranch along the Costa Rican border with Nicaragua. The cocaine on these planes came from one Jorge Ochoa and one Pablo Escobar -- the two biggest cocaine producers and traffickers in Colombia. On John Hull's ranches, this Ochoa-Escobar cocaine was off-loaded and then

trans-shipped up into the United States, going to Miami, New Orleans, and Memphis.

David told Carlos that David was totally opposed to this cocaine smuggling. But he said that a portion of the income earned by John Hull, Felipe Vidal, Rene Corbo and their fellow Contra-supporters by their participation in this drug smuggling network was being used to help finance the purchase of military equipment, ammunition and explosives needed by the Contras to wage their private war against the Sandinista government.

This drug smuggling dimension of the John Hull-international Brigade caused David to seriously consider fleeing from the operation.

But he did not.

The La Penca Press Conference Bombing

Carlos asked David to explain the role which members of this International Brigade of Contras had played in the May 30, 1984 terrorist bombing attack on the Eden Pastora press conference at La Penca, Nicaragua.

David went into great detail explaining this role -- informing Carlos that David had been personally informed of his information by Alvaro Cruz and Frederico Saenz, the two men on John Hull's ranch under whose direct supervision David operated in his activities as part of the Contra International Brigade.

Cruz and Saenz had informed David that the preliminary decision to assassinate Eden Pastora had been made by John Hull, Felipe Vidal, Rene Corbo and Adolfo Calero in a series of meetings in or around January of

1984 -- when it became clear to these men that Pastora was neither going to allow non-indigenous Nicaraguans, such as the Cuban-Americans, to participate in his Costa Rican-based ARDE military effort against the Nicaraguan government nor was Pastora going to allow his Costa Rican-based ARDE forces to be melded into a unified Contra command under the leadership of Adolfo Calero's Honduran-based FDN Contra force.

David reported that this January, 1984 preliminary decision to kill Pastora had been made in meetings held on John Hull's ranch among Hull, Vidal and Corbo and, later, between these men and Adolfo Calero in Honduras.

Other sources reported that this preliminary decision was finalized in a meeting in Miami, Florida in February of 1984, between Vidal and Corbo and their "sponsor" Francisco "Paco" Chanes.

It was Cruz and Saenz who informed David of the 1984 decision to conduct the bombing of Pastora. Other sources set forth below have verified specific steps in this chain of events. They are as follows:

In February of 1984, Felipe Vidal and Rene Corbo flew from San Jose, Costa Rica to Miami, Florida -- where they met personally with Francisco "Paco" Chanes. Chanes was the de facto owner of two Miami-based seafood import companies. These were Ocean Hunter, Inc. and Mr. Shrimp. These two private companies were, in fact, the vehicles through which Francisco "Paco" Chanes smuggled into the United States up to one full ton of Colombian cocaine each week -- from Jorge Ochoa and Pablo Escobar, via John Hull's Costa Rican ranch. "Paco" Chanes was also an ardent financial supporter of the ultra right- wing, Miami-based, Cuban anti-communist

organization "Brigade 2506." Silent partners in Chanes' two "seafood import" companies were Frank Castro and Rolando Martinez -- fellow intense anti-communists.

In this February, 1984 meeting in Miami held between "Paco" Chanes and Vidal and Corbo, Chanes gave his final approval to the participation of Vidal and Corbo in the assassination of Eden Pastora.

Vidal and Corbo then sought advice from Chanes as to whom they might retain to carry out this assassination. Paco Chanes sent Vidal and Corbo to meet with Frank Castro and Rolando Martinez.

Vidal and Corbo met with Frank Castro and Rolando Martinez in Miami in February of 1984 and were, in turn, sent to see one Niles Heinz. Heinz, in turn, sent Vidal and Corbo to meet with one Ramon Cecilio Palacio -- a man reported to be the "chief of security" in Miami for Jorge Ochoa.

In February of 1984, Vidal and Corbo met, in Miami, with Ramon Cecilio Palacio -- who placed them in the hands of two Cuban brothers introduced to them as Ricardo and William "Gris". These two men are believed by Plaintiffs' Counsel's sources to be, in fact, one Raul Villaverde and one of his two brothers -- either Rafael (if he was not earlier killed in a yacht explosion in Miami) or Jorge, a cocaine smuggler associated with Palacio and Ochoa.

The "Gris" brothers took the men to Chile and introduced them to Amac Galil, a notorious international right-wing terrorist who was, at the time, working for the dreaded secret military police of Chilean dictator Pinochet.

Galil was paid $50,000 to plan and execute the assassination of Eden Pastora.

Between March and May of 1984, Amac Galil travelled through Panama up into Costa Rica -- where he went to John Hull's ranch. On John Hull's ranch, Galil obtained from John Hull three kilograms of C-4 explosive -- portions of which had been smuggled onto John Hull's ranch through the combined efforts of Defendants Theodore Shackley, Thomas Clines, Richard Secord, Albert Hakim, Rafael "Chi Chi" Quintero, John Hull, Bruce Jones, Thomas Posey, Ronald Martin, James McCoy, and Mario Delamico.

John Hull met repeatedly with Galil while Galil was in Costa Rica. Indeed, John Hull travelled with Galil, by car, from Hull's ranch, up to the Nicaraguan border, where Galil took numerous photographs of the area, and then returned with Hull to Hull's ranch. These facts have been independently corroborated by Plaintiffs' Counsel by direct interviews between our investigators and two sources who were eyewitnesses to Galil's presence on John Hull's ranch prior to the La Penca bombing. These are Sources #32 and #33.

In May of 1984, Amac Galil left John Hull's ranch and took up residence at the Grand Via in San Jose, where he used the false identity of a Danish journalist by the name of Per Anker Hansen.

Under this false identity, Galil obtained employment with a Swedish film crew and, later, obtained access to the press conference held by Eden Pastora at La Penca on May 30, 1984.

Galil detonated the C-4 bomb concealed in an

aluminum camera case -- using a remote control radio transmitter -- killing, maiming, and severely injuring the international journalists and parties listed in the Plaintiffs' Complaint on May 30, 1984.

As described by Cruz and Saenz to David, Galil escaped
in the following manner: he fled using a truck owned by Defendant Hull with assistance of various of the other defendants.

Kidnappings, Death Threats, and Murder

At the conclusion of one of the several interviews held between Carlos and David in a public park in San Jose, Costa Rica, in 1985, David and Carlos were seized on the sidewalk next to the park by a small group of armed men whom David later identified to Carlos as associates of John Hull and Hull's International Brigade of Contras.

These men forced David and Carlos, at gunpoint, onto the floor of the back seat of a car and drove them, for hours, to the main ranch of John Hull, at the northern border of Costa Rica. There David and Carlos were held by an armed guard, in a small wooden shed, while the other men went "to contact John."

David told Carlos that David was sure that the men were going to kill David and Carlos when they returned -- so he persuaded Carlos to join with him in an escape. David and Carlos attacked the lone armed guard left to detain them, broke the window out of the shed in which they were held captive, and fled into the forest -- amid a hail of gunfire from their guard.

After days and nights spent in the forest, David and Carlos came to a road, obtained a ride on a truck to a small village -- and Carlos telephoned Tony Avirgan and asked that Avirgan come to get them.

David refused to go with Avirgan and effect his escape, wanting to get away from the situation which was threatening his life. So, David left Carlos, who waited in a park to be picked up by Tony Avirgan. David promised, however, that he would contact Carlos to let Carlos know that David was safe.

The Plaintiffs were later informed by a member of the Costa Rican Rural Guard, Source #34, that an agent of the Costa Rican Rural Guard placed undercover on John Hull's ranch, Source #35, reported to Costa Rican authorities that he had later seen David recaptured and physically brought to John Hull's ranch -- where David was beaten and tortured to death on John Hull's ranch.

Carlos reported his kidnapping to the Costa Rican legal authorities and these authorities searched, with Carlos, for the property, and the wooden shed, where Carlos and David had been held. This search by the authorities lead to the ranch of John Hull on the Costa Rican-Nicaraguan border.

Soon after the reported recapture and torture-execution of David, Plaintiffs Tony Avirgan and Martha Honey began to receive telephoned death threats -- ordering them "to stop your investigation or be killed." These threats then began to take the form of notes, made up of letters from the alphabet cut from magazines, notes which were physically placed under the door of their home -- where they lived with their two small children.

These death threats, and similar death threats directed to their employees and office staff, required the Plaintiffs to spend thousands of dollars to install a physical security system in their office and home. The continued death threats required the Plaintiffs to send their children out of the country to stay with the Plaintiffs' family in New York State -- and to live under an armed guard provided to them by the Costa Rican legal authorities, Source #36.

After a thorough investigation of the information provided to them by David, by Carlos -- and by numerous other sources; including Costa Rican law enforcement authorities, Sources #37 and #38; ARDE Intelligence Officials, Sources #39 and #40; interviews with Defendant Felipe Vidal himself, Source #41; and interviews with former Contra members, Sources #42, #43, #44, and #45 -- Plaintiffs Tony Avirgan and Martha Honey prepared a written report of their findings and publicly released this report at a press conference held in San Jose, Costa Rica in the Fall of 1985.

After this report, Carlos Rojas Chinchilla was kidnapped, a second time, by associates of John Hull. These men seized Carlos from his house in San Jose and, at gunpoint, ordered him to copy, in his own handwriting, a prepared statement they showed him -- stating that he had been told nothing by David about John Hull -- and that his earlier reports filed with the Costa Rican legal authorities about David's reports, and Carlos' kidnapping by associates of John Hull's were all made up by Carlos at the demand of journalists Tony Avirgan and Martha Honey.

Carlos was told by these men that, after writing this, Carlos would be released, unharmed -- but that, in two

weeks time, Carlos would, again, be contacted by these men and brought before a "specially selected" group of journalists where Carlos was to publicly release his written statement and renounce his police reports about John Hull.

After writing the demanded statement, Carlos was released -- and he fled to Tony Avirgan and Martha Honey and requested protection.

The Plaintiffs assisted Carlos in escaping from Costa Rica with his family and secured a safe place for him to remain -- until he was called upon to testify in the trial of John Hull.

All of these facts have been verified directly to Plaintiffs' Counsel Daniel Sheehan in personal interviews between Attorney Sheehan and Carlos Rojas Chinchilla.

In the Fall of 1985, Defendant John Hull sued Plaintiffs Avirgan and Honey in Costa Rica, charging them with criminal libel.

In the Fall of 1985, I was contacted by a Source, Source #46, and was informed about Plaintiffs Avirgan and Honey's information from David and their numerous other sources -- and, finding that this information was closely related to information provided to the Christic Institute by our Sources regarding the smuggling of guns, ammunition and explosives to John Hull's ranch from Florida, via Ilopango Air Force Base in El Salvador, I asked that my Source #46 have Tony Avirgan and Martha Honey contact me -- so we could cooperate in our respective investigations.

For a period of time, Source #46 communicated

information back and forth between our Christic Institute investigation and Tony Avirgan and Martha Honey.

In December of 1985, my law office was asked by Tony Avirgan and Martha Honey to assist in the preparation of their defense against the charges of criminal libel in Costa Rica. We agreed to do so.

The Secret Team

During my preliminary investigation of the information in the possession of Tony Avirgan, Martha Honey and their sources - I was contacted by Source #47, a right-wing para-military specialist, former U.S. Army pilot in Vietnam and military reform specialist in January of 1986.

Source #47, the Specialist, who was unaware of my investigation, informed me that he had met -- at a right-wing function -- a former U.S. military intelligence officer, Source #48, interested in seeing to it that the Mujahedin forces in Afghanistan were supplied with safe and effective military equipment with which to combat the Soviet invasion of their homeland.

Source #47 informed me, however, that, upon his second meeting with Source #48, this source began to discuss with Source #47 the existence of a "Secret Team" of former high-ranking American CIA officials, former high-ranking U.S. military officials and Middle Eastern arms merchants -- who also specialized in the performance of covert political assassinations of communists and "enemies" of this "Secret Team" which carried on its own, independent, American foreign policy -- regardless of the

will of Congress, the will of the President, or even the will of the American Central Intelligence Agency.

Source #47 was so shocked at this information that he wanted me to meet with Source #48, to interview him, and to evaluate the information this man had.

I agreed to do so. The meeting was set up for February, 1986, at the home of Source #47 outside of Washington, D.C.

The Wilson Connection in Iran

In February of 1986, I went to the house of Source #47, and was introduced to Source #48. He was a former U.S. intelligence officer who served in Iran in 1976 and for a period thereafter.

In our interviews, Source #48 set forth the details of a highly secret assassination project which operated in Iran from 1976 until the fall of the Shah - under the supervision of Defendant Theodore Shackley and Defendant Thomas Clines. This project was supervised, in the Middle East by one Edwin Wilson. Source #48 -- who worked as an anti-terrorist specialist in the U.S. Military Mission in Iran, was in a special position to have personal knowledge about the project run by Edwin Wilson - since Wilson's program operated under the rubric of an "anti-terrorist" project.

Source #48 set forth, in detail, how this covert "anti-terrorist" search and destroy operation was set up, in 1976, under the overall supervision of the Assistant Deputy Director of Operations for the American Central Intelligence Agency - Theodore Shackley, and his Deputy, Thomas Clines. However, Source #48 was convinced that

this operation became a criminal, privately run, non-CIA authorized program as of 1977 - after President Jimmy Carter and CIA Director Stansfield Turner entered the government.

This privately-run, "anti-terrorist" assassination program was authorized and controlled by Theodore Shackley and Thomas Clines - in their purely private, non-governmental capacity, from 1977 to 1979.

During this 1977 to 1979 period, Edwin Wilson, in his private capacity as the field director of this private Shackley-Clines project, established contact, in Libya, with Mohammar Gadhafi and secretly agreed to train Libyan anti-Shah of Iran terrorists in the use of deadly C-4 explosives at five secret terrorist training camps located inside Libya. While entirely criminal in nature, Edwin Wilson's activities with these Libyan terrorists were actually intelligence-gathering activities - designed to put into his hands the identities, missions and targets of the Libyan, anti-Shah terrorist operations.

Once this intelligence information was obtained by Wilson in his capacity as a trainer and supplier for the terrorists, Wilson would secretly communicate the identities, and mission of particular terrorists to Rafael "Chi Chi" Quintero - who was responsible for "interdicting" and directing the assassination of these Libyan terrorists.

Indeed, part of the "mission" of Wilson inside Libya was to carry out the assassination of Mohammar Gadhafi himself. Pursuant to this plan, Wilson arranged for Gadhafi's plane to be "wired-up" and bombed. The plane was blown up - but, at the last moment before the plane took off, Gadhafi returned from the tarmac to receive a telephone call. Several East German agents were killed in

the explosion.

This operation of Wilson's was "blown" when one of Wilson's associates here in the United States, one Kevin Mulcahey, unknowingly revealed to a person friendly with an agent of the Federal Bureau of Alcohol, Tobacco and Firearms, that his boss, Edwin Wilson, was training and supplying Libyan terrorists.

Wilson and his associate Frank Terpil were indicted for their dealings with Gadhafi -- but his supervisors, Theodore Shackley and Thomas Clines, were allowed to resign from the CIA by CIA Director Stansfield Turner and Deputy Director Frank Carlucci.

However, upon resigning, Defendants Shackley and Clines joined with Defendants Secord and Hakim and "went private" - continuing to run their "Secret Team" -- complete with it's own covert foreign policy.

Plaintiffs' Counsel learned this information not only from Source #48, but also from Source #49 - who is a retired CIA officer with knowledge about this operation and a Source #50 - who is a former Air Force officer of the Special Investigation Office who investigated Edwin Wilson's activities in the Middle East.

Source #49 has had direct conversations with Source #50 who was directly involved with Edwin Wilson in this Middle Eastern Operation.

Supplying the Contras

Source #49 has direct knowledge that it was this "Secret Team" of Defendant Shackley, Defendant Clines, Defendant Secord and Defendant Hakim - operating

through their business partnership with Edwin Wilson named the Egyptian-American Transport and Service Company (incorporated in January of 1979) who first established contact with and began secretly supplying weapons, ammunition and C-4 explosives to the Contras soon after they began operations in Honduras in August of 1979 and who later, under a separate corporate cover, supplied C-4 explosives and military equipment to the Contras, through John Hull, in Costa Rica in 1983 and 1984. The "Field Officer" for this "Secret Team" was Defendant Rafael "Chi Chi" Quintero, the man who met with the field commanders of the Contras in Honduras and the Contra associates of John Hull in Costa Rica to take their "orders" for weapons and explosives and who saw to it that said military supplies were delivered. Defendant Quintero conducted his activities on behalf of this Secret Team through a Florida-based corporation named Orca Supply Company -- a company earlier set-up by Edwin Wilson.

This information was obtained by Plaintiffs' Counsel from Source #49 and from persons who have spoken directly with persons directly involved in this operation.

Under the supervision of Defendant Theodore Shackley, Defendants Thomas Clines, Richard Secord, Albert Hakim and Rafael Quintero have been directly responsible for the private supplying of military equipment -- including the C-4 explosives supplied to John Hull in 1983 and 1984 which were used in the terrorist bombing attack at La Penca on May 30, 1984. Indeed, a close associate of Defendant Quintero trained persons in Honduras to make deadly C-4 anti-personnel terrorist bombs identical to the one used at La Penca. This individual was one John I. W. Harper. These Defendants were responsible for the entire

supply of weapons, ammunition and explosives to the Contras in Honduras and Costa Rica from August of 1979 up to October of 1986 -- with the exception of the time period between June of 1981 and March of 1984, during which time American CIA Director William Casey and his agent Vincent M. Cannistraro supplied such materials.

Defendants Martin, McCoy, Delamico, Posey and Chanes contributed military supplies directly to this flow of equipment supplied by Defendants Shackley, Clines, Secord, and Hakim during this time period -- including a portion of the C-4 used to construct the C-4 bomb used at La Penca in the attempted assassination of Eden Pastora.

Moreover, Ricardo and William "Gris" are reported, by a source, Source #51 -- a former Contra member active in the Miami area with direct knowledge of the Miami Contra community -- to be one Raul Villaverde and his brother, either Rafael or Jorge Villaverde. The Villaverde brothers are close associates of Defendant Rafael Quintero, who worked with Defendant Quintero as professional assassins for Edwin Wilson in Iran and Libya between 1976 and 1980. According to Source #51, it was in Iran and Libya, while working for Wilson, that Raul and Rafael Villaverde met Amac Galil, the right-wing, anti-Gadhafi Libyan terrorist whom the Defendants actually procured to carry out the La Penca bombing.

In April of 1986, Plaintiffs' Counsel was introduced to Source #52, a high-ranking, active, Central Intelligence Agency official who discussed with Sources #48 and #49 the activities of Defendant Shackley and Clines and confirmed to them a number of the facts set forth above.

At that time, Plaintiffs' Counsel also met personally with Source #53, another high-ranking, active, Central

Intelligence Agency official, who confirmed much of the data concerning the political environment and activities of persons involved in the Contra movement in Costa Rica in 1984 -- and the names of the persons involved in the Contra operations in Costa Rica in 1984, at the time of the La Penca bombing.

In early 1986, Plaintiffs' Counsel established contact with Source #54, a man actively engaged in the trafficking of cocaine with Defendant Francisco "Paco" Chanes and Defendant Dagoberto Nunez, which source communicated to Plaintiffs' Counsel detailed information confirming the participation of Defendants Chanes, Nunez, and Hull in the smuggling of cocaine into the United States through Miami and Memphis. Source #54 supplied Plaintiffs' Counsel with the names and whereabouts of some half-dozen pilots who flew guns, ammunition and C-4 explosives from the United States to John Hull's ranch in Costa Rica -- and who flew cocaine back into the United States from Defendant Hull's ranch. A number of these pilots have been located and contacted by Plaintiffs' Counsel, but they insist upon immunity from criminal prosecution in exchange for their testimony against the Defendants in this case. These pilots constitute Sources #54, #55, #56, #57, #58, and #59.

Plaintiffs' Counsel has established direct contact with Edwin Wilson, who is serving a federal prison term in excess of 50 years at Marion Prison in Illinois and has spent hours in private interviews of Wilson. Mr. Wilson also requests immunity from criminal prosection in exchange for his testimony demonstrating the truthfulness of the information set forth above about his activities with Defendants Shackley, Clines, Secord, Hakim and Quintero. Edwin Wilson is Plaintiffs' Source #60.

Plaintiffs' Counsel has also personally interviewed Source #61, a Costa Rican pilot with intimate knowledge of the cocaine smuggling operations of Defendants Hull and Nunez -- and of the fact that the income from their smuggling activities is being used to fiance the Contra operations of the Defendants in Costa Rica. Source #61 introduced Plaintiffs' Counsel to Source #62, a Roman Catholic Priest from Costa Rica who has personally interviewed numerous peasants in Costa Rica who have come to know with direct personal knowledge of Defendants Hull and Nunez cocaine smuggling operations -- and their partnership in these operations with Defendant Francisco "Paco" Chanes in Miami.

Plaintiffs' Counsel's investigators have interviewed Sources #63, #64 and #65 who are active agents of the Federal Drug Enforcement Administration who are directly knowledgeable concerning the cocaine smuggling operation of Defendants Chanes, Vidal, Corbo, Nunez, Hull, Ochoa and Escobar and the use of a portion of the profits from this enterprise to fund their Contra operations in Costa Rica.

Plaintiffs' Counsel has personally interviewed Source #66, an active Florida state law enforcement intelligence officer, who is familiar with the drug smuggling -- and illegal gunrunning operations of the defendants -- but who has been directed to "stand clear" from his investigation of their activities.

The First "Contra War": Organized Crime and Right-wing Terror-Politics

Sources #48 and #49 described above, as well as Sources #67 and #68, who are tenured professors at

accredited universities in the U.S. who conduct professional research into government documents, interview persons in the U.S. intelligence community, and teach accredited courses regarding the history of the activities of our American intelligence community --- as well as Source #69, who is a retired official of the United States Customs Department and the Federal Bureau of Narcotics and Dangerous Drugs (now the Drug Enforcement Administration), and Source #70, who is a former Southeast Asian Border Police officer, and Source #71, who is a retired CIA official - - have communicated evidence to Plaintiffs' Counsel which constitutes probable cause to believe that the following facts are true regarding the Defendants in this case:

That, in late 1959, immediately after Fidel Castro drove Dictator Batista out of Cuba, former United States Vice President Richard M. Nixon established, and chaired, a Special Committee within the United States National Security Council with the express assignment of developing -- and executing -- a plan by means of which to mount a covert "Contra" war against the socialist government of Cuba, utilizing expatriate indigenous right-wing Cubans who had been loyal to Dictator Batista. The objective of this non-Congressionally authorized operation was to undermine, weaken, and eventually, overthrow the revolutionary socialist government of Cuba. It appears that this secret operation was then code-named "Operation 40."

That, in late 1959, then Vice President Richard M. Nixon, with the direct participation and cooperation of United States Central Intelligence Agency Director Allen Dulles, undertook the supervision of the recruiting of expatriate, right-wing Cubans who had fled from Cuba to Miami, Florida -- and caused to be established two secret

military training bases for their "Contra" forces, one south of Miami, Florida, and one in Guatemala. CIA Director Allan Dulles assigned CIA Agent and former Marine Corps officer Carl Jenkins to supervise the training of these "Contra" forces in guerilla warfare tactics in Florida and Guatemala. The objective of this Nixon-Dulles supervised operation was to train and to secretly infiltrate these expatriate Cubans back into Cuba, where they would set up centers of guerilla military resistance to the Castro-led socialist government. These forces would also mount terrorist military attacks against the economic infra-structure of Cuba, making it difficult for the new revolutionary government to organize and operate the economy.

With this covert NSC-CIA program underway in early 1960, then Vice President Richard M. Nixon secretly "reached out" to one Robert Maheu, the Chief of Staff and de facto Director of billionaire Howard H1ughes' financial empire. At the time Maheu was working with Nixon on a secret, non-Congressionally approved project which may have involved underwater activities and been named "Operation Desktop". Because of Maheu's secret status known only to Richard Nixon and President Eisenhower, Richard Nixon selected Maheu to attend an equally secret meeting, in early 1960, in Florida, with two men representing former Havana Mafia "Don" Santo Trafficante -- whose fabulously wealthy Havana Casino, Hotel and prostitution operation run by Resorts International, Inc. (a Meyer Lansky Mafia company) had been driven out of Cuba, along with Trafficante's business associate Batista in 1959.

At this early 1960 Florida meeting between Robert Maheu (representing Richard Nixon) and John Roselli and Sam Giancana (representing Santo Trafficante, a

Meyer Lansky Mafia Lieutenant), it was agreed between Richard Nixon and Santo Trafficante that the NSC's secret Operation 40 would be secretly "supplemented" by secreting, within this operation, a "private" sub-operation -- which was to be supervised directly by the Mafia's Havana Lieutenant Santo Trafficante.

This secret, "private" unit was to be a political assassination unit assigned to murder Cuban President Fidel Castro, his brother Raul Castro, Che Guevera and five other revolutionary Cuban government leaders.

Former associates of Cuban dictator Batista and of Resorts International boss Santo Trafficante were, according to this early 1960 Nixon-Trafficante agreement, to be selected out of the Operation 40 participants by Santo Trafficante -- and then secretly trained, as political assassins, by Trafficante and his Mafia associates, at a secret "Triangular-Fire Training Base" to be located in Mexico. Those selected from Operation 40 by Santo Trafficante to become members of the "Shooter Team" were:

1. Rafael "Chi Chi" Quintero;
2. Felix Rodriguez (AKA "Max Gomez");
3. Luis Posada Carriles (AKA "Ramon Medina");
4. Rafael Villaverde;
5. Raul Villaverde;
6. Ricardo Chavez;
7. Frank Fiorini (AKA Frank Sturgis);
8. Rolando Martinez; and two other Cuban Americans.

One of the "supervisors" of the group was to be E. Howard Hunt, code-named "Eduardo."

This secret "Shooter Team" began training in early 1960.

When John F. Kennedy received the Democratic Party nomination for President in the Summer of 1960, he was briefed by a CIA officer about the existence of Operation 40 and its objectives -- but it does not appear that he or Robert Kennedy were ever briefed about the existence of the Shooter Team. However the Shooter Team continued to train -- and, indeed, between 1960 and 1963, initiated several efforts to assassinate Cuban President Fidel Castro.

Between January of 1961 and April of 1961, the low-profile, guerilla-infiltration strategy of Operation 40 was transmuted in a plan for a full-scale military invasion of Cuba, to be staged at the now- infamous Bay of Pigs. This invasion, using the personnel of Operation 40, failed disastrously in April of 1961.

However, by June of 1961, Robert Kennedy had re-grouped the tattered remnants of the old Operation 40 forces and re-initiated the old, lower-profile, strategy of infiltration and guerrilla "raids" into Cuba. This re-born Operation 40 was named "Operation Mongoose." This covert "Contra" war was secretly pursued by the Kennedy Administration from June of 1961 to November of 1963.

The supervisor of "Operation Mongoose" was, then 34-year-old, Theodore Shackley. His Deputy was Thomas Clines.

This operation, functioning in a working partnership with Mafia Lieutenant Santo Trafficante, operated from a base located in a few buildings on the

campus of the University of Miami. This base -- and the operation itself -- came to be called "JM/Wave."

These "Contra" war operations -- and their associated Trafficante- lead political assassination sub-operation -- were directed by Theodore Shackley and Thomas Clines from 1961 to 1963.

During 1963, several participants in Operation 40 were caught smuggling narcotics into the U.S. from Cuba and the use, by the Batista and Trafficante criminal associates in the program began to cause "problems of control" of illegal "profiteering" in the program. But the program continued -- as did the operations of the "Shooter Team."

In November of 1963, President Kennedy was assassinated in Dallas, Texas.

In 1965, "Operation Mongoose," and JM/Wave, were shut down and Theodore Shackley and his Deputy, Thomas Clines were transferred to Laos.

The Move to Southeast Asia: Political Assassination Financed by Opium

In 1965, Theodore Shackley was made the Deputy Chief of Station for the CIA in Laos. Thomas Clines became his Deputy.

In 1965, Theodore Shackley and Thomas Clines secretly
provided air support in Laos for one Van Pao, in a three-sided war in which Van Pao was engaged, in Laos, for control of part of the illegal opium trade in that nation. During 1965, Van Pao's competitors in the opium

trafficking business were mysteriously assassinated.

By 1966, Van Pao was one of the major opium producers and traffickers in Laos.

Under the direction of Deputy Chief of Station Theodore Shackley and his Deputy, Thomas Clines, a secret program was pursued to train indigenous Hmong tribesmen in guerilla war tactics for use in "unconventional warfare" activities. These activities included the art of political assassination. Starting in 1966, their "special operations" with the Hmong tribesmen began to be secretly financed by Van Pao.

In 1964, a "Special Operations Group" was established in Saigon, Viet Nam. This group was a multi-service, military operation known as the Military Assistance Command, Vietnam -- Special Operations Group (MACV-SOG) or the Joint Task Force for unconventional warfare.

This group, among other tasks, "supervised" the secret political assassination activities of this secret unit of Hmong tribesmen -- though the group operated, in fact, under the supervision of Theodore Shackley and Thomas Clines.

From 1966 to 1968, the commander of the Special Operations Group, which supervised the political assassination program in Laos, Cambodia, and Thailand, was Defendant General John K. Singlaub.

Serving under Singlaub in Laos for a period at the end of 1968 was a young 2nd Lt. by the name of Oliver North.

The Deputy Air Wing Commander for the Special Operations Group was then Air Force Lt. Col. Richard Secord. His superior was then Col. Heinie Aderholt.

One of the members of the Army Special Forces units in the Group was one Dwight Owen -- the older brother of Defendant Robert Owen.

Between 1966 and 1971, this Special Operations Group based in Laos was, in fact, under the supervision of Theodore Shackley and Thomas Clines. During the period from 1966 to 1975, this Special Operations Group in Laos, through the secret Hmong tribesmen unit funded by a portion of Van Pao's opium income, secretly assassinated over 100,000 non-combatant village mayors, book-keepers, clerks and other civilian bureaucrats in the countries of Laos, Cambodia and Thailand.

In 1966, Theodore Shackley became CIA Chief of Station in Laos when former Station Chief Gordon Jorgenson was made Chief of Station in Vietnam. Thomas Clines continued to be a Deputy to Shackley in Laos. In early 1968, Shackley became Chief of Station in Saigon.

In 1968, Theodore Shackley's former associate in the JM/Wave program in Miami, Mafia Lieutenant Santo Trafficante, flew from Tampa, Florida, to Southeast Asia where he met at a hotel in Saigon with Shackley's Laotian associate Van Pao. In this meeting, Santo Trafficante agreed to become a partner with Van Pao in the importation of China White heroin into the United States. By 1969, Santo Trafficante had become the #1 importer and distributor of China White heroin in America. Van Pao's profits increased accordingly -- as did his financial contribution to the secret Hmong tribesmen assassination

and "unconventional warfare" project supervised by Theodore Shackley and Thomas Clines in Laos, Cambodia and Thailand.

In early 1972, Theodore Shackley and Thomas Clines were transferred from Saigon to the United States, where Theodore Shackley became the Chief of the CIA's Western Hemisphere operations. Thomas Clines became his Deputy. This division of the CIA directs the operations of the CIA in Central and Latin America.

From this post, Theodore Shackley and Thomas Clines directed the operation known as "Track II" in Chile which directed the political assassination of Chilean socialist President Salvador Allende and his Chief of Staff in Chile and the military overthrow of the democratically elected government of Chile in September of 1973.

Shortly before the successful overthrow of the socialist Chilean government in September of 1973, Theodore Shackley and Thomas Clines were transferred to Langley, Virginia; Shackley headed the East Asia Division with Clines as his Deputy.

From this post at Langley, Theodore Shackley and Thomas Clines directed the Phoenix Project in Vietnam in 1974 and 1975 which carried out the secret mission of assassinating members of the economic and political bureaucracy inside Vietnam to cripple the ability of that nation to function after the total US withdrawal from Vietnam. This Phoenix Project, during its history, carried out the political assassination, in Vietnam, of some 60,000 village mayors, treasurers, school teachers and other non-Viet Cong administrators.

Theodore Shackley and Thomas Clines financed a

highly intensified phase of the Phoenix Project, in 1974 and 1975, by causing an intense flow of Van Pao opium money to be secretly brought into Vietnam for this purpose.

This Van Pao opium money was administered for Theodore Shackley and Thomas Clines by a US Navy official based in Saigon's US office of Naval Operations by the name of Richard Armitage.

Armitage functioned as the "bursar" for their Van Pao opium funds into the Vietnam Phoenix Project from 1973 to the fall of Vietnam in April of 1975.

The Birth of the Secret Team

However, because Theodore Shackley, Thomas Clines and Richard Armitage knew that their secret anti-communist extermination program was going to be shut down in Vietnam, Laos, Cambodia, and Thailand in the very near future, they, in 1973, began a highly secret non-CIA authorized program setting up their own private anti-communist assassination and unconventional warfare program -- to operate after the end of the Vietnam campaign.

Thus, from late 1973 until April of 1975, Theodore Shackley, Thomas Clines and Richard Armitage disbursed, from the secret, Laotian-based, Van Pao opium fund, vastly more money than was required to finance even the highly intensified Phoenix Project in Vietnam. The umoney in excess of that used in Vietnam was secretly smuggled out of
Vietnam in large suitcases, by Richard Secord and Thomas Clines -- and carried into Australia, where it was deposited

in a secret, personal bank account (privately accessible to Theodore Shackley, Thomas Clines and Richard Secord).

During this same period of time between 1973 and 1975, Theodore Shackley and Thomas Clines caused thousands of tons of U.S. weapons, ammunition, and explosives to be secretly taken from Vietnam and stored at a secret "cache" hidden inside Thailand. The Van Pao monies in this secret Australian account and this large cache of stolen US weapons hidden deep inside Thailand were to be used by Theodore Shackley, Thomas Clines, Richard Secord, Richard Armitage and the right-wing covert operations operatives they could persuade to join their "off-lines", private "secret team" after the conclusion of the Vietnam campaign.

The "liaison officer" to Shackley and Clines and the Phoenix Project in Vietnam, during this 1973 to 1975 period, from the "40 Committee" in the Nixon White House was one Eric Von Marbod -- an Assistant Secretary of State for Far Eastern Affairs. Von Marbod shared his information about the Phoenix Project directly with his supervisor Henry Kissinger.

Saigon fell to the Vietnamese in April of 1975. The Vietnam War was over.

Post-Vietnam: Drugs, Arms Scams and Terror Continue

Immediately upon the conclusion of the evacuation of U.S. personnel form Vietnam, Richard Armitage was dispatched, by Theodore Shackley and Thomas Clines, from Vietnam to Tehran, Iran.

In Iran, Armitage (the "bursar"for the Van Pao opium money for Shackley and Clines' planned "Secret Team" covert operations program), between May and August of 1975, set up a secret "financial conduit" inside Iran, into which secret Van Pao drug funds could be deposited from Southeast Asia. The purpose of this conduit was to serve as the vehicle for secret funding, by Shackley's "Secret Team,"
of a private, non-CIA authorized "Black" operations inside Iran -- disposed to seek out, identify, and assassinate socialist and communist sympathizers -- who were viewed by Shackley and his "Secret Team" members to be "potential terrorists" against the Shah of Iran's government in Iran.

In late 1975 and early 1976, Theodore Shackley and Thomas Clines retained Edwin Wilson to travel to Tehran, Iran to head up the "Secret Team" covert "anti-terrorist" assassination program in Iran.

This was not a U.S. government-authorized operation. This was a private operation supervised, directed and participated in by Shackley, Clines, Secord and Armitage in their purely private capacities.

At the end of 1975, Richard Armitage took the post of a "Special Consultant" to the U.S. Department of Defense regarding American military personnel Missing In Action (MIAs) in Southeast Asia.

In this capacity, Armitage was posted in the U.S. Embassy in Bangkok, Thailand.

There Armitage had top responsibility for locating and retrieving American MIA's in Southeast Asia. He worked at the Embassy with an associate, one Jerry O. Daniels.

From 1975 to 1977, Armitage held this post in Thailand. However, he did not perform the duties of this office. Instead, Armitage continued to function as the "bursar" for Theodore Shackley's "Secret Team," seeing to it that secret Van Pao opium funds were conducted from Laos, through Armitage in Thailand to both Tehran and the secret Shackley bank account in Australia at the Nugen-Hand Bank. The monies conducted by Armitage to Tehran were to fund Edwin Wilson's secret anti-terrorist "seek and destroy" operation on behalf of Theodore Shackley.

Armitage also devoted a portion of his time, between 1975 and 1977, in Bangkok, facilitating the escape from Laos, Cambodia and Thailand and the re-location elsewhere in the world, of numbers of the secret Hmong tribesmen group which had carried out the covert political assassination program for Theodore Shackley in Southeast Asia between 1966 and 1975. Assisting Richard Armitage in this operation was Jerry O. Daniels. Indeed, Jerry O. Daniels was a "bag-man" for Richard Armitage, assisting Armitage by physically transporting out of Thailand millions of dollars of Van Pao's secret opium money -- to finance the re-location of Theodore Shackley's Hmong tribesmen and to supply funds to Theodore Shackley's "Secret Team" operations.

At the U.S. Embassy in Bangkok, Richard Armitage also supervised the removal of arms, ammunition and explosives from the secret Shackley-Clines cache of munitions hidden inside Thailand between 1973 and 1975 -- for use by Shackley's "Secret Team." Assisting Armitage in this latter operations was one Daniel Arnold, the CIA Chief of Station in Thailand -- who joined Shackley's Secret Team -- in his purely private capacity.

The U.S. Ambassador to Thailand, one Morton Abramowitz, to know of Armitage's involvement in the secret handling of Van Pao opium funds and caused to be initiated an internal State Department heroin smuggling investigations directed against Richard Armitage.

Armitage was the target of Embassy personnel complaints to the effect that he was utterly failing to perform his duties on behalf of American MIAs, and he reluctantly resigned as the D.O.D. Special Consultant on MIA's at the end of 1977.

From 1977 until 1979, Armitage remained in Bangkok opening and operating a business named The Far East Trading Company. This company had offices only in Bangkok and in Washington, D.C. This company was, in fact, from 1977 to 1979, merely a "front" for Armitage's secret operations conducting Van Pao opium money out of Southeast Asia to Tehran and the Nugen-Hand Bank in Australia to fund the ultra right- wing, private anti-communist "anti-terrorist" assassination program and "unconventional warfare" operation of Theodore Shackley's and Thomas Cline's "Secret Team." During this period, between 1975 and 1979, in Bangkok, Richard Armitage lived in the home of Heinie Aderholt -- the former Air Wing Commander of Shackley's "Special Operations Group" in Laos -- who, between 1966 and 1968, had served as the immediate superior to Richard Secord, the Deputy Air Wing Commander of MACV-SOG.

Secord, in 1975, was transferred from Vietnam to Tehran, Iran.

Early "Iran Arms Deal" Profit-Skimming

In 1976, Richard Secord moved to Tehran, Iran and became the Deputy Assistant Secretary of Defense in Iran, in charge of the Middle Eastern Division of the Defense Security Assistance Administration. In this capacity, Secord functioned as the chief operations officer for the U.S. Defense Department in the Middle East in charge of foreign military sales of U.S. aircraft, weapons and military equipment to Middle Eastern nations allied to the U.S.. Secord's immediate superior was Eric Von Marbod -- the former 40 Committee liaison officer to Theodore Shackley's Phoenix program in Vietnam from 1973 to 1975.

From 1976 to 1979, in Iran, Richard Secord supervised the sale of U.S. military aircraft and weapons to Middle Eastern Nations.

However, Richard Secord did not authorize direct nation-to-nation sales of such equipment directly from the U.S. government to said Middle Eastern governments. Instead, Richard Secord conducted such sales through a "middle-man", one Albert Hakim.

By the use of middle-man Albert Hakim, Deputy Assistant Secretary of Defense Richard Secord purchased U.S. military aircraft and weapons from the U.S. government at the low "manufacturer's cost" -- but sold these U.S. aircraft and weapons to the client Middle Eastern nations at the much higher "replacement cost." Secord then caused to be paid to the U.S. government, out of the actual sale price obtained, only the lower amount equal to the lower manufacturer's cost. The difference, was secreted from the U.S. government. Secord and Albert Hakim secretly transferred these millions of dollars into Shackley's "Secret Team" operations inside Iran -- and into Shackley's secret Nugen-Hand bank

account in Australia. Thus, by 1976, Defendant Albert Hakim had become a partner with Thomas Clines, Richard Secord and Richard Armitage in Theodore Shackley's "Secret Team."

Between 1976 and 1979, Shackley, Clines, Secord, Hakim, Wilson, and Armitage set up several corporations and subsidiaries around the world through which to conceal the operations of the Secret Team. Many of these corporations were set up in Switzerland. Some of these were: (1) Lake Resources, Inc.; (2) The Stanford Technology Trading Group, Inc.; and (3) Companie de Services Fiduciares. Other companies were set up in Central America, such as: (4) CSF, Investments, Ltd. and (5) Udall Research Corporation. Some were set up inside the United States by Edwin Wilson. Some of these were: (6) Orca Supply Company in Florida and (7) Consultants International in Washington, D.C.

Through these corporations, members of Theodore Shackley's "Secret Team" laundered hundreds of millions of dollars of secret Van Pao opium money and pilfered Foreign Military Sales proceeds between 1976 and 1979.

In January of 1979, Theodore Shackley, Thomas Clines, Richard Secord and Albert Hakim made Edwin Wilson a full partner in their "Secret Team" gunrunning board, establishing the corporation named the Egyptian-American Transport and Services Corporation.

The Contra Connection: The Secret Team Bargains with Somoza

In the Spring of 1978, Shackley, Clines, Secord and Hakim directed Edwin Wilson to travel to Nicaragua to

make available to Nicaraguan dictator Anastasio Somoza, the private assassination services of Shackley's "Secret Team" -- the objective of which was to carry out the location of and the political assassination of the top leadership of the Sandinista revolutionary movement. This contract was tendered, and Wilson offered the assassination services of Shackley's "Secret Team" to Somoza, in the Spring of 1978, for the sum of $650,000 per year. This offer included the services of five (5) "counter- subversion specialists," at the price of $80,000 per year each and an annual expense account of $250,000 for the operation. One the five "specialists" was to be Defendant Rafael "Chi Chi" Quintero. The others were to be members of the 1960 Richard Nixon-Santo Trafficante "Shooter Team" assembled for Operation 40 (members of which were used as "operatives" for Shackley's political assassination operations form 1961 to the present).

Somoza felt that the price tag was too high for this project -- so he continued to negotiate for a lower price.

Persons who know of this 1978 approach to Somoza by Wilson on behalf of Shackley, Clines, Secord and Hakim are one Douglas Schlachter, Source #72, (presently in the Federal Witness Protection Program), one Christine Simmons, Source #73, and former United States Congressman Charles Wilson, Source #74.

Again, in the Spring of 1979, Theodore Shackley, Thomas Clines, Albert Hakim and Richard Secord sent Edwin Wilson to arrange a contract relationship between the "Secret Team" and Nicaraguan dictator Anastasio Somoza.

This time, the contract offer was to supply military equipment, ammunition and explosives to Somoza -- since

Somoza's dictatorial government had been cut off from any supply of military equipment from the U.S. by President Jimmy Carter's invocation of the Harkin Amendment in early 1979.

While Edwin Wilson's trip to Somoza in the Spring of 1979 did not result in the establishment of this contract, the trip of Rafael "Chi Chi" Quintero, later, did. Thus, by early 1979, Theodore Shackley, Thomas Clines, Albert Hakim and Richard Secord (all partners together in this Egyptian-American Transport and Service Company) had a formal contractual relationship with Nicaraguan dictator Anastasio Somoza pursuant to which this "Secret Team" supplied weapons, ammunition, aircraft and explosives to Somoza's Nicaraguan government -- despite the formal order of the United States President Jimmy Carter that no military equipment of any kind was to be provided to Somoza's Nicaraguan government.

Neither President Carter nor his Director of Central Intelligence, Stansfield Turner, knew or approved of the conduct of Theodore Shackley and his partners who supervised the Secret Team -- because Shackley and Clines had been ordered by Stansfield Turner to resign from the CIA in late 1978 or early 1979 -- when Turner learned that Shackley and Clines were business partners with Edwin Wilson, who was going to be publicly indicted (based on the disclosures of Kevin Mulcahey) for unlawfully supplying military explosives and weapons to Libya.

From March to July of 1979, Shackley's "Secret Team" supplied military equipment to Somoza in his capacity as the Dictator of Nicaragua. The man who met regularly with Somoza's representative to arrange these weapons shipments was Rafael "Chi Chi" Quintero.

The CIA Takes the Ball

When Somoza fled from Nicaragua on July 17, 1979, he travelled to an island in the Bahamas named North Cay. There he met with Rafael "Chi Chi" Quintero and other representatives of Theodore Shackley and his Secret Team associates.

In their July, 1979 meetings on North Cay, representatives of Theodore Shackley, Thomas Clines, Richard Secord and Albert Hakim entered into a contract to supply aircraft, weapons, ammunition, and military explosive to Somoza and his La Guardia Generals who had fled Nicaragua with him, to enable them, now as "Contras", to plan and prosecute -- against the U.S. government-recognized Sandinista government of Nicaragua -- a secret covert Contra war virtually identical to the one which Theodore Shackley and Thomas Clines had supervised against the socialist revolutionary government of Cuba from 1961 to 1965.

The man who met regularly with the Contra military field commanders, to advise them as to what weapons and equipment they needed -- and to see to it that this equipment was supplied to the Contras from 1979, through 1980, into 1981, was Rafael "Chi Chi" Quintero. He conducted his weapons supply activities through the Miami-based company named Orca Supply Company, a company set up by Edwin Wilson.

These secret supply operation to the Contras by Shackley's "Secret Team" continued until June of 1981 -- when the United States CIA officially (though covertly) took over this operation and assigned Vincent M.

Cannistraro to take the place of Rafael "Chi Chi" Quintero as the "Supply Officer" for the Contra operation.

North Turns to the Secret Team When Congress Bans Aid

When the United States Congress was drafting the Boland Amendment in late 1983 to order the CIA and the White House to cease all United States Executive Department aid to the Contras, Lt. Colonel Oliver North contacted Theodore Shackley, Thomas Clines, Albert Hakim and Richard Secord and had the "Secret Team" re-activate its military supply of the Contras' operations -- which also included the John Hull Contra operation in Costa Rica on the "Southern Front" against Nicaragua. Rafael Quintero, again, became the "Supply Officer" for the Honduran and Costa Rican Contra operations.

As of March of 1984, the Defendants' "Secret Team" was, once again, back in charge of the secret supplying of aircraft, weapons, ammunition and military explosives to the Contra forces in Honduras and through John Hull's ranch in Costa Rica.

It was between March of 1984 and May of 1984 that Defendants Shackley, Clines, Secord, Hakim, Quintero, et al. supplied to John Hull -- along with Defendants Posey, Martin, McCoy, Delamico et al. -- the C-4 military explosives used by the right-wing Libyan terrorist Amac Galil to bomb the May 30, 1984 La Penca press conference of Eden Pastora.

It was also this same group of men who supplied the C-4 explosives that were to be used in the terrorists' bombing attack against the United States Embassy in Costa

Rica in July of 1985, described in the Plaintiffs' Amended Complaint.

White House Uses Secret Team Again for Iranian Arms Deal Profits go to the Contra Operations

Also, when Ronald Reagan, Edwin Meese, William Casey, and Robert McFarlane, John Poindexter and Oliver North decided, in 1985 and 1986, to undertake the secret sale of arms to Iran, it was, once again, this "Secret Team" of Theodore Shackley, Thomas Clines, Albert Hakim and Richard Secord to whom they went to carry out this "black" mission. Plaintiff's sources for this information are Sources #49 and #50. They are the sources for all the information in paragraph 71.

This "Secret Team" employed its tried and tested procedure of purchasing the military equipment from the U.S. Pentagon at "manufacturer's cost" and selling the equipment to Iran at "replacement cost" -- and conducted the "excess" profit earned in the sale, through Lake Resources, Inc., Companie de Services Fiduciares and in to its Grand Cayman account in the name of CSF Investments, Ltd. --where the "Secret Team" kept on deposit the funds which it secretly used to finance its Contra war against the socialist government of Nicaragua.

Secret Team member Richard Secord purchased short take-off and landing (STOL) airplanes for the Contra forces in Honduras and Costa Rica -- which planes were used to ferry weapons and explosives onto John Hull's farm from Ilopango Air Force Base in El Salvador.

Secord purchased there four STOL aircraft from MAUL, Inc., paying for said aircraft with two checks -- one drawn on the account of CSF Investments, Ltd. and

the other drawn on the account of Udall Research Corporation.

Rafael "Chi Chi" Quintero personally participated in the supervision of the construction of the dirt landing strips inside Costa Rica which were used for the smuggling into Costa Rica of weapons, ammunition, and military explosives -- the construction of which secret landing strips were financed by checks drawn on the account of Udall Research Corporation.

Defendants Albert Hakim, Richard Secord and Thomas Clines are all associated with the company of Stanford Technology, Inc. and Stanford Technology Trading Group, Inc.. The registered agent of the office of Stanford Technology Trading Group, Inc. located in Switzerland is also the registered President of CSF Investments, Ltd. in the Grand Cayman Islands and Defendant Hakim has paid an official court settlement of a private lawsuit with a check drawn on the account of CSF Investments, Ltd.

Telephone calls placed from the secret "safe house" in El Salvador, where Eugene Hasenfus and the other crew members who flew arms and munitions to the Contra forces in Central America lived, went to the offices of Secord's, Clines' and Hakim's company Stanford Technology, Inc..
Plaintiffs' Counsel has a direct eyewitness, Source #75, who can identify Felix Rodriguez as the man who, along with Luis Posada Carriles, supervised the unloading of weapons and ammunition flown in from Florida to Ilopango Air Force Base in El Salvador by Defendant Thomas Posey and who
then trans-shipped said equipment to Defendant John Hull's ranch in Costa Rica.

And Plaintiffs' Counsel has a source, Source #76, who can testify that this same Felix Rodriguez is, in fact, a long-time employee of Defendant Theodore Shackley -- indeed, that this Felix Rodriguez has, for many years, worked as an employee of Defendant Shackley in Theodore Shackley's private "Secret Team" weapons supply and assassination program.

Conclusion

Plaintiffs' Counsel represents to the Court that he is in contact with other sources who possess further, first-hand, evidence proving the truthfulness of the civil and criminal charges made against the 29 Defendants in the Plaintiffs' Amended Complaint -- and that these sources include Eden Pastora himself, Source #77, high-ranking officials in the Costa Rican government and elsewhere, Sources #78 and #79, -- which the Court's short 20 day period allowed for the Plaintiffs' preparation of their Opposition to the Defendants' Motion to Dismiss did not allow Plaintiffs' Counsel adequate time to contact.

Plaintiffs' Counsel also represents to the Court that Plaintiffs would easily be able to provide numerous additional sources to prove the truthfulness of the facts set forth in this Attorney's Affidavit, if the Court were to afford the Plaintiffs the standard opportunity for civil discovery.

Also, Plaintiffs' Counsel asks that the Court take Judicial Notice of the fact that numerous reports have been published in The New York Times, The Washington Post, The San Francisco Examiner, and many other national newspapers setting forth details of the conduct of some of the Defendants in this civil action which

corroborate their participation in the covert criminal enterprise to violate the United States Neutrality Act by unlawfully waging war against the nation of Nicaragua -- which is the "enterprise" reported by the Plaintiffs to this Court in May of 1986. While such reports are certainly not dispositive of the issue of the Defendants' participation in the criminal enterprise described in the Plaintiffs' Amended Complaint, the fact that the Plaintiffs and the Plaintiffs' Counsel have been the source of information to the Court, so much of which has now been publicly revealed to the Court by the national media and by Congress to have been entirely accurate, most certainly should dispel any remaining doubts that the Court may have had, at one time, that Defendants' Attorney Ted Kline was incorrect when he publicly asserted to the media that "The Plaintiffs' case is just a Clown Act". This case is no "Clown Act". It is a serious endeavor to bring the legal process of the Judicial Branch of our Federal government to expose, to evidence, and to prove the factual assertions made against the Defendants in this case by the Plaintiffs.

Plaintiffs also ask the Court to take Judicial Notice of the fact that Defendants Richard Secord and Robert Owen appeared before United States Congressional committees on December 9th and 10th of this year and asserted, under oath, that their being required to testify about their possible participation in a criminal enterprise to covertly provide funds and weapons to the Central American Contra forces would result in testimony which would tend to incriminate them or provide direct evidence of their guilt of some of the federal crimes with which the Plaintiffs' Counsel publicly charged them before this Court on May of 1986.

Surely this conduct of only the first of the Defendants named in this federal civil suit to be placed under oath

and asked about their participation in the criminal "enterprise" alleged in this Complaint is probative of the criminal guilt of the Defendants of some of the crimes charged in this Complaint.

Plaintiffs and Plaintiffs' Counsel, The Christic Institute, possess evidence constituting "probable cause" that each of the Defendants named in this Complaint are guilty of the conduct charged.

If further detailed evidence is required by the Court to allow the Plaintiffs to begin the standard process of discovery in this case, the failure to place it in this Affidavit is the function of the short time allowed by the Court for the preparation of this filing -- it is not because the Plaintiffs lack such evidence.

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Daniel P. Sheehan

Respectfully submitted,

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